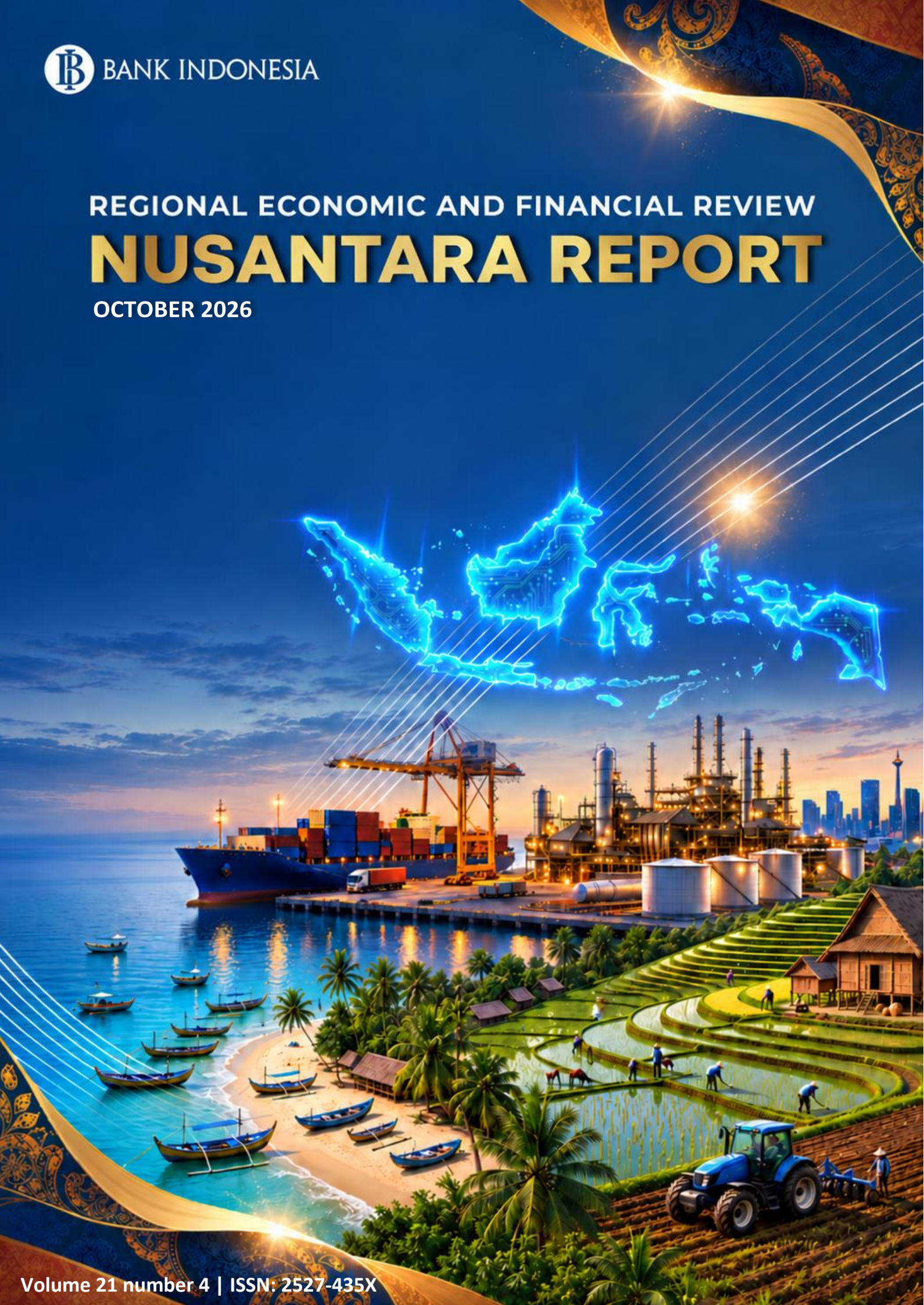


REGIONAL ECONOMIC AND FINANCIAL REVIEW

NUSANTARA REPORT

OCTOBER 2026



Regional Economic and Financial Review

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Foreword

The Nusantara Report describes the latest national economic conditions and outlook from a regional perspective. The spatial economic assessments presented in this publication cover five regions, namely Sumatra, Java, Kalimantan, Bali-Nusa Tenggara (Balinusra) and Sulawesi-Maluku-Papua (Sulampua). The Nusantara Report is published quarterly by Bank Indonesia in January, April, July and October.

Economic growth across all regions remained resilient, supported by strong domestic demand. Household consumption remained resilient, supported by various government stimulus measures. Investment also continued to grow steadily, primarily underpinned by the ongoing development of various government projects in several regions. Meanwhile, exports of major commodities improved in several regions. Furthermore, Consumer Price Index (CPI) inflation is projected to remain within the target range in all regions. Moving forward, Bank Indonesia will continue strengthening synergy with the Central and Regional Governments to maintain stability, while supporting sustainable economic growth.

We sincerely hope the Nusantara Report brings valuable insights and benefits to all stakeholders and regional economists. Optimism concerning the regional economic outlook is reflected in the depiction of the archipelago's economic landscape beneath clear skies, combining the maritime, agricultural, trade and manufacturing sectors to symbolise the diverse potential sources of regional economic growth in advancing the nation. Moving forward, Bank Indonesia will continue supporting the strengthening and development of economic sectors across the Indonesian archipelago, taking into account recent developments and the distinct characteristics of each region. This spirit and aspiration are visually represented through development on land and at sea, combining capital-intensive and labour-intensive sectors to symbolise the strengthening of natural resource-based downstream industries in support of robust, inclusive and sustainable economic growth towards national prosperity.

Jakarta, 20th October 2026

Regional Department

Rudy Brando Hutabarat

Assistant Governor

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Executive Summary

Regional economic growth in the third quarter of 2026 is projected to remain solid, supported by domestic demand. Household consumption and investment remained resilient across various regions. Exports of major commodities in several regions are projected to improve in line with higher exports of processed copper products from Java and Balinusra, processed nickel products from Sulampua, as well as stronger tourism activity in Balinusra. Meanwhile, exports from Sumatra and Kalimantan were constrained by production and distribution disruptions due to extreme weather. From a sectoral perspective, stronger performance in manufacturing, mining and construction is also expected to maintain regional economic growth momentum. Meanwhile, performance in the agricultural sector remained subdued, particularly in Balinusra and Kalimantan, due to El Nino as well as forest and land fires.

Regional economic growth in 2026 is projected to be higher than in the previous year. The promising outlook is supported by persistently strong domestic demand in most regions. Household consumption is forecast to increase in line with stimulus support and implementation of government priority programs, accompanied by improving investment underpinned by the realisation of various strategic projects, including Danantara projects. Meanwhile, export improvements are expected to be limited by production constraints. By sector, regional economic growth will primarily be supported by stronger construction as well as accommodation and food service activities in almost all regions, alongside trade in Sumatra, Java and Sulampua.

Composite Consumer Price Index (CPI) inflation in the third quarter of 2026 moderated and remained within the target corridor. Nationally, CPI inflation in the third quarter of 2026 was recorded at 3.28% (yoy), lower than the 3.35% (yoy) recorded in the previous period. Core inflation increased modestly, mainly driven by rising gold jewellery prices in line with rising international commodity prices. Meanwhile, volatile food (VF) inflation moderated from 5.58% (yoy) in the second quarter of

2026 to 5.03% (yoy) in the third quarter of 2026. This was supported by maintained food supply, despite pressures from extreme weather (El Nino), which disrupted production in several major production hubs. VF inflationary pressures demand vigilance, particularly in Kalimantan and Sulampua, where inflation is still high. Administered prices (AP) inflation also moderated in various regions, reflecting developments in airfares, despite increases in non-subsidised petrol prices.

CPI inflation in 2026 is projected to remain within the 2.5±1% target range. The outlook is supported by core inflation, which is expected to stay under control in line with anchored inflation expectations, adequate economic capacity, contained imported inflation and the positive impact of digitalisation. Meanwhile, the outlook for VF inflation remains favourable, supported by stronger synergy between Bank Indonesia and the Government through the Central and Regional Inflation Control Teams (TPIP/TPID) in implementing the Inflation Control and Food Prosperity Movement (GPIPS) to control food inflation, including measures to anticipate the impact of weather disruptions on food prices.

Moving forward, economic growth in Indonesia is projected to remain resilient, with further efforts needed to strengthen growth by optimising various sources of economic growth, while maintaining vigilance against global risks. Externally, the impact of geopolitical conflicts and global uncertainty must continue to be monitored and mitigated to maintain domestic economic stability and resilience. Domestically, the growth outlook is favourable, supported by the implementation of various government stimulus programs, improving confidence among economic agents and the optimisation of sources of economic growth. Bank Indonesia will, therefore, continue strengthening its monetary, macroprudential and payment system policy mix in close synergy with government policies to maintain stability, while supporting stronger and more resilient economic growth.

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PART 1

Overview of Recent Regional Economic Developments and Outlook

Regional economic growth in the third quarter of 2026 is projected to remain solid in all regions, supported by domestic demand. Household consumption is forecast to maintain positive growth in various regions, underpinned by substantial government fiscal stimuli to preserve public purchasing power amid normalisation following the national religious festive period. Investment is also projected to maintain positive growth, supported by the continued implementation of various strategic government projects, particularly in Java, and private investment in several regions, including Sumatra. Export performance improved in various regions. Exports in Java improved in line with the resumption of copper smelter operations and higher copper cathode exports, while improvements in Balinasra stemmed from increasing tourism activity and in Sulampua from downstreaming. Exports from Kalimantan and Sumatra faced several challenges, however, including production and distribution constraints triggered by drought due to extreme weather. Meanwhile, government consumption normalised following accelerated budget realisation in the first half of 2026. By sector, trade is projected to maintain positive growth amid normalising public activity following the national religious festive period. Construction maintained moderate growth in Java, supported by ongoing National Strategic Projects (PSN) and government priority programs. Manufacturing continued to support growth, particularly in regions benefiting from downstreaming activity. Meanwhile, mining sector performance continued to face production constraints and distribution disruptions.

Domestic demand will continue to support economic growth in 2026 in most regions. Household consumption is projected to increase in most regions, supported by government policy stimuli, including the implementation of priority programs seeking to boost job creation. Investment is also projected to improve in all regions, primarily supported by various government projects, including Danantara projects. Meanwhile, exports are expected to maintain a positive contribution to regional economic growth, supported by downstream commodities and demand for several leading regional commodities. By sector, construction is predicted to support growth in most regions given the realisation of

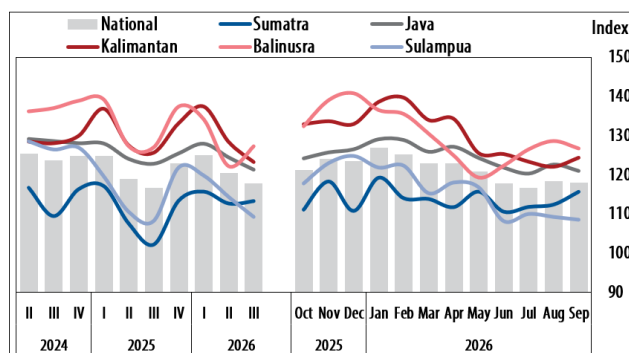
government projects, particularly in Java, ongoing downstreaming projects in Sulampua and continued development of strategic areas in Kalimantan. Trade as well as accommodation and food service activities will strengthen in most regions, particularly Java and Sumatra. Manufacturing will maintain positive growth, particularly in Java. Mining in Balinasra and Sulampua is projected to ameliorate economic performance in both regions. Moving forward, various global and domestic risks continue to demand vigilance, including geopolitical uncertainty and the impact of extreme weather. Bank Indonesia will continue strengthening policy synergy with the Government to maintain growth momentum, promote new sources of growth and increase confidence among economic agents.

Private Consumption

Private consumption is projected to be maintained in the third quarter of 2026. Private consumption is supported by household consumption, as reflected by persistently optimistic consumer confidence amid normalising demand following the Eid-ul-Adha national religious festive period and school holidays at the end of the second quarter of 2026. Nationally, the Consumer Confidence Index (CCI) in the third quarter of 2026 remained in optimistic territory with a reading above 100 (Graph I.1). Regionally, the highest consumer confidence was recorded in Balinasra, Kalimantan and Java. On the income side, the Farmers' Terms of Trade (FTT) increased as an aggregate in the third quarter of 2026 in almost all regions, particularly Sulampua, Kalimantan and Java (Graph I.2). The increase primarily stemmed from higher prices received by farmers in the smallholder plantation and horticultural subsectors, indicating stronger purchasing power among farming households. Public purchasing power in the third quarter of 2026 was also supported by government stimuli, including food assistance through rice distribution and the Food Supply and Price Stabilisation (SPHP) program for soybeans, sea and rail transportation subsidies, the Family Hope Program (PKH) and Non-Cash Food Assistance (BPNT).

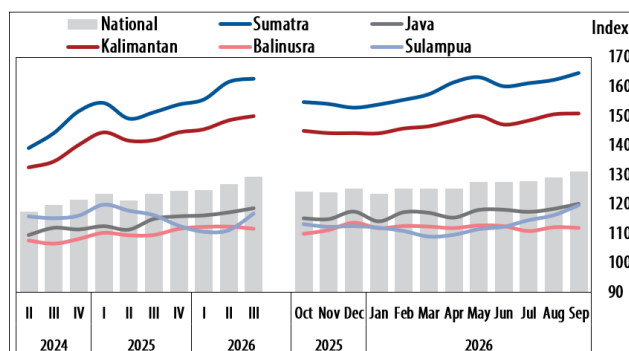
Throughout 2026, regional private consumption is projected to accelerate compared with 2025. The improvement is supported by persistently optimistic

consumer confidence, maintained public purchasing power and implementation of the economic stimulus policy package in the second semester of 2026. The stimuli include transportation discounts, food assistance, internship programs and tax incentives. Regionally, household consumption is projected to improve in all regions, particularly Sulampua and Java. Meanwhile, household consumption in Kalimantan is expected to maintain positive growth amid adjustments to mining sector activity.



Source: Bank Indonesia, processed

Graph I.1. Consumer Confidence Index (CCI) by Region

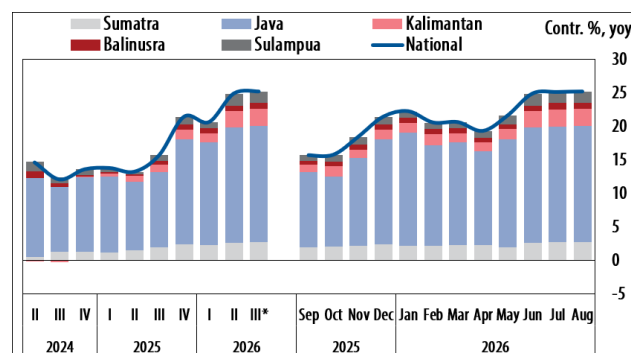


Source: BPS-Statistics Indonesia, processed

Graph I.2. Farmers' Terms of Trade

Investment

Investment in the third quarter of 2026 is projected to remain solid, particularly in Java. This is indicated by persistently positive investment loan growth in various regions (Graph I.3). Investment was also driven by the continued development of strategic government projects and private investment. In Java, persistently strong investment stemmed from ongoing government priority programs, National Strategic Projects (PSN) and private investment. In Sumatra, data centre investment in industrial estates and special economic zones supported investment performance amid decelerating post-disaster rehabilitation and reconstruction activity. In Kalimantan, Sulampua and Balinusra, investment moderated in line with lower development activity on government and private projects.



Source: Bank Indonesia, processed

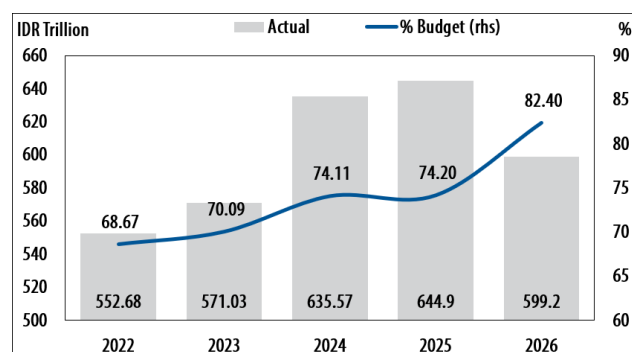
Graph I.3. Investment Loans by Region

Positive regional investment growth in 2026 is projected in all regions. The outlook is supported by accelerated government projects, post-disaster rehabilitation and reconstruction, as well as continued downstreaming policies. In Sumatra, investment is supported by ongoing post-disaster reconstruction and intensified private investment, particularly through industrial estates, special economic zones and public infrastructure. In Java, investment growth is underpinned by the realisation of various government priority projects, strategic investment through Danantara, particularly in downstreaming, development of the electric vehicle battery ecosystem and waste-to-energy projects. In Sulampua, ongoing nickel downstreaming projects through the construction of processing facilities support investment. In Kalimantan, investment is currently driven by the development of natural resource-based manufacturing industries and increasing biodiesel and alumina production capacity. Investment in Balinusra is supported by the development of tourism accommodation and implementation of strategic government projects.

Regional Government Consumption

Government consumption growth in the third quarter of 2026 is projected to be maintained. This was primarily supported by regional spending from the central government, including personnel expenditure, capital expenditure and the continuation of government priority programs. Higher personnel expenditure was primarily observed in Kalimantan and Sulampua. Capital expenditure for national road maintenance improved in Kalimantan. Fiscal spending in Sumatra and Balinusra was driven by implementation of the Free Nutritious Meals (MBG) program, while spending in Java was supported by social assistance disbursements. Realisation of Regional Transfer Fund Allocations (TKD) as a proportion of the budget was higher than in the corresponding period of the previous year (Graph I.4).

This was supported, among others, by additional allocations from the General Allocation Fund (DAU) and Revenue Sharing Fund (DBH) to pay regional civil servant salaries. Meanwhile, support from realised regional budget spending on goods and services as well as capital expenditure was limited in line with lower regional spending budgets, particularly in Kalimantan.



Source: Ministry of Finance, processed. Data as of September each year.

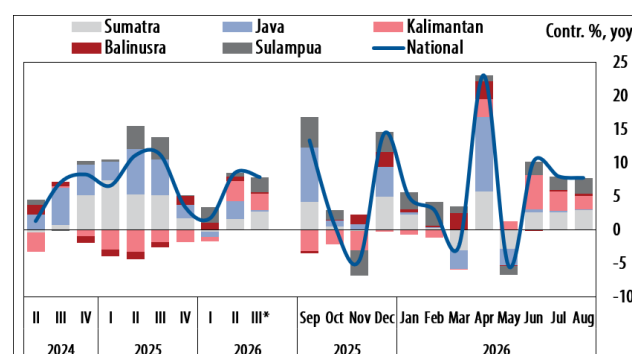
Graph I.4. Regional Transfer Fund Allocations (TKD)

In 2026, fiscal support for regional economies is projected to be higher than the previous year. The increase will primarily stem from normalising expenditures following the budget efficiency policy in 2025, expanded implementation of government priority programs, including the MBG program, People's Schools (PS) program and Red and White Village/Subdistrict Cooperatives (KDKMP) in various regions, as well as ongoing post-disaster rehabilitation and reconstruction in Sumatra. Such support is bolstered by an increase in the TKD budget, allocated, among others, to disaster management in Sumatra and other regional needs. Regional government spending is projected to accelerate more gradually in line with the lower TKD budget for 2026, particularly in regions with a high dependence on TKD.

International Exports

International non-oil and gas exports recorded positive growth in the third quarter of 2026 through to August 2026. Sumatra, Kalimantan and Sulampua were the main contributors to exports in the reporting period (Graph I.5). Stronger exports from Sumatra were supported by high crude palm oil (CPO), tin and coal prices, alongside higher tin export volumes following approval of the Work Plan and Budget (RKAB). Exports from Kalimantan maintained positive growth, supported by coal prices,

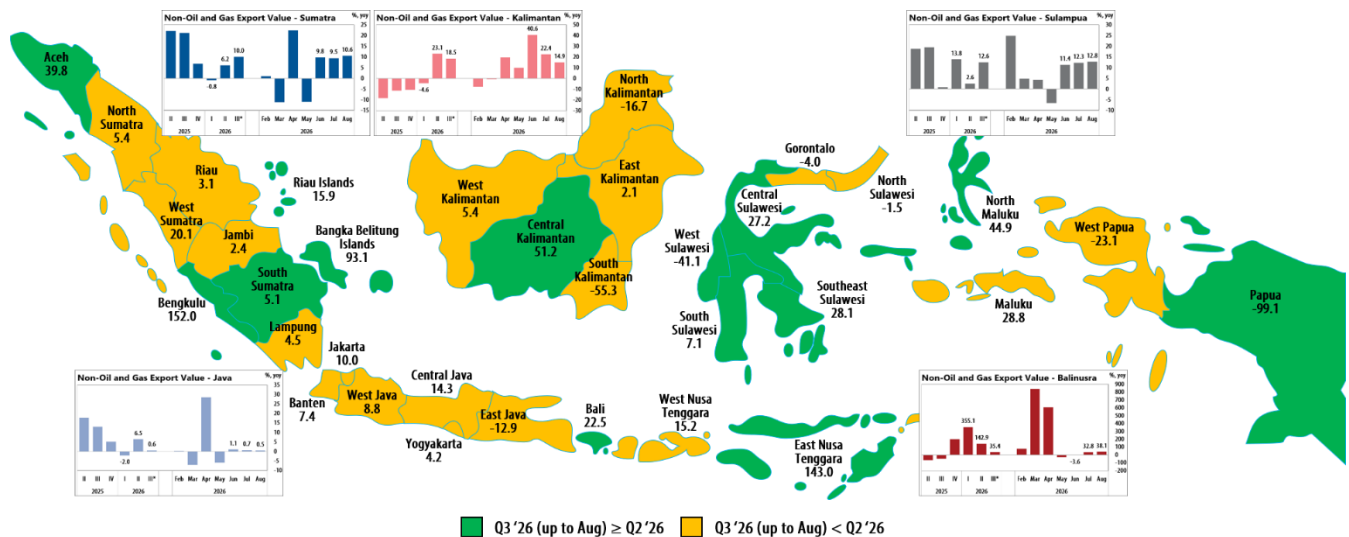
although volumes were restrained by coal distribution constraints and higher domestic absorption of CPO and alumina. Exports from Sulampua increased, driven by stronger demand for nickel pig iron (NPI) and improving copper concentrate production as wet drawpoint constraints at underground mines eased. Meanwhile, exports from Java were restrained by lower gold and jewellery exports, despite higher exports of machinery, electrical equipment and copper cathodes. Exports from Balinusra recorded subdued growth following the end of relaxed copper concentrate export policy and the transition towards exports of processed smelter products.



Source: Directorate General of Customs and Excise (DJBC), processed

Graph I.5. Value of National Non-oil and Gas Exports

International non-oil and gas exports in all regions are projected to maintain positive growth throughout 2026. The outlook is supported by high mineral and plantation commodity prices and maintained manufacturing product competitiveness. Exports in several regions will continue to record positive growth, including Sumatra and Kalimantan, supported by coal, CPO and tin. Further improvements in coal and CPO exports will be restrained by allocation adjustments in line with implementation of the B50 biodiesel program and adjustments to coal production targets. Exports from Balinusra are projected to increase as copper smelters become fully operational, boosting exports of processed products with higher value added. Exports from Java are expected to be maintained, supported by manufacturing competitiveness and higher exports of downstream copper products. Meanwhile, export moderation is anticipated in Sulampua as growth in downstream nickel product exports normalises, despite a recovery in copper ore production following mining disruptions.



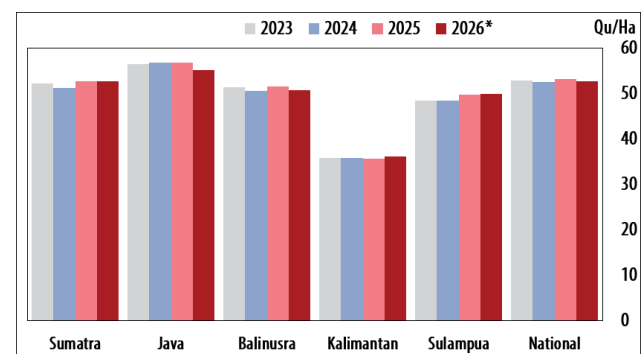
Source: Directorate General of Customs and Excise (DJBC), processed. Third-quarter data as of August 2026.
Figure I.1. Map of Regional Non-oil and Gas Export Growth in Q3/2026 (% yoy)

Agriculture

Agricultural sector performance in the third quarter of 2026 is projected to maintain moderate growth in line with adjustments to rice production and weather disruptions in several production hubs. According to BPS-Statistics Indonesia, the harvested area for dry-season rice in July-September 2026 is estimated at 3.01 million hectares, 5.3% lower than in the corresponding period of the previous year, particularly in Sumatra and Java. In addition, forest and land fires and a stronger El Nino episode are expected to restrain agricultural sector performance in Balinusra and Kalimantan. Horticultural production, particularly various chilli varieties, is also projected to decline given shifts in planting and harvesting periods alongside pest infestations in several production hubs, partially offset by higher shallot production. Nevertheless, agricultural sector performance in the third quarter of 2026 is projected to maintain positive growth, supported, among others, by harvests of oil palm fresh fruit bunches (FFB) in Sumatra and Kalimantan.

Agricultural sector performance in 2026 is projected to maintain strong growth, albeit below that recorded in 2025. El Nino, the intensity of which is predicted to be stronger than previously forecast, along with forest and land fires are projected to impact rice production and harvesting activity, particularly in Java, Sumatra and Kalimantan (Graph I.6), as well as capture fisheries production, primarily in Sulampua. Meanwhile, oil palm plantations will support sectoral performance as replanted areas enter production, alongside efforts to increase productivity through the Palm Oil Rejuvenation Program (PSR) and implementation of Good Agricultural Practices (GAP). On the demand side, mandatory B50

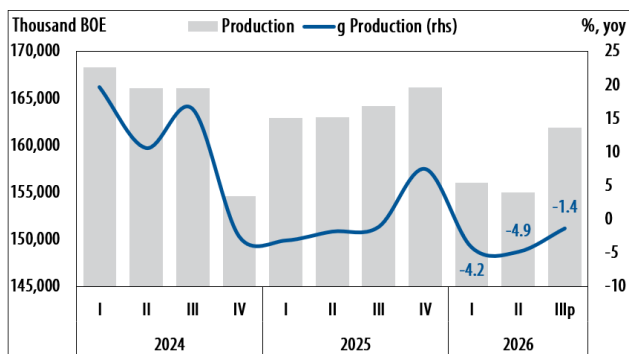
implementation since July 2026 is increasing domestic CPO absorption, thereby supporting agricultural sector growth in 2026, particularly the plantation subsector.



Source: BPS-Statistics Indonesia, processed
Graph I.6. Rice Land Productivity

Mining

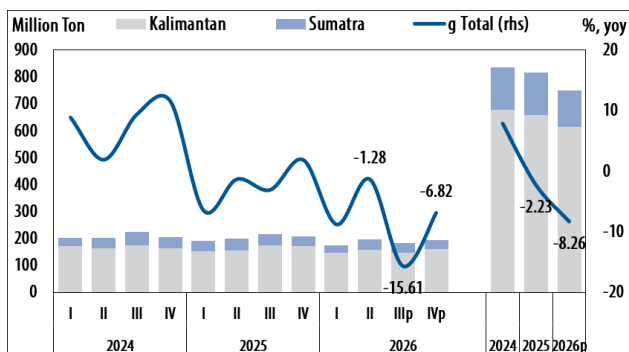
Mining sector performance is projected to improve in the third quarter of 2026 in Sumatra, Sulampua and Balinusra. In Sumatra, the improvement stemmed from higher oil and gas production, supported by optimising the development of existing fields and implementation of enhanced oil recovery (EOR) projects in Riau and South Sumatra (Graph I.7). In Sulampua, recovering copper ore production in Central Papua and the resumption of nickel ore mining by several companies in North Maluku supported stronger sectoral performance. In Balinusra, persistently high sectoral growth was supported by copper concentrate production and optimal operation of downstream facilities (smelters). Meanwhile, mining sector performance in Kalimantan moderated in line with adjustments to the remaining coal work plan and budget (RKAB) quotas towards year-end and disruptions to coal logistics as drought reduced water flow in several major rivers (Graph I.8).



Source: SKK Migas, processed

*BOE = Barrels of oil equivalent

Graph I.7. Oil and Gas Production



Source: Ministry of Energy and Mineral Resources and Bank Indonesia, processed

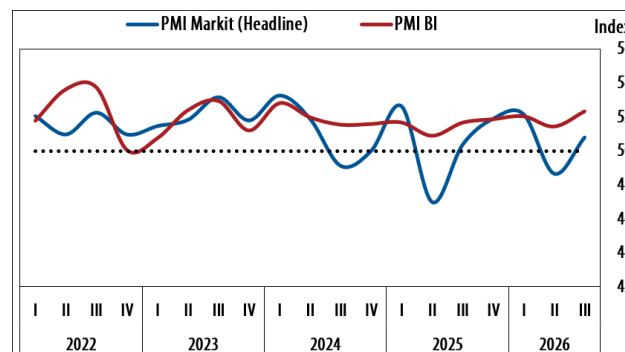
Graph I.8. Coal Production

Mining sector growth is projected to accelerate in 2026, primarily supported by Balinusra and Sulampua. In Sulampua, the improvement is driven by recovering copper ore production in Papua and higher gold production in Gorontalo amid nickel production adjustments related to RKAB policy. In Balinusra, mining performance is strengthening, driven by higher production to fulfil concentrate export quotas and more optimal operation of copper smelters. Mining sector performance in Kalimantan and Sumatra is projected to maintain positive growth in line with further adjustments to coal RKAB quotas, which were lowered at the beginning of the year and revised for several companies towards year-end. However, faster production growth in Kalimantan is expected to be restrained by logistics and distribution constraints due to low water flow in major rivers as a corollary of drought.

Manufacturing

Manufacturing industry performance in the third quarter of 2026 is projected to improve, primarily supported by Kalimantan and Sulampua. This was reflected by a stronger Manufacturing Purchasing Managers' Index (PMI) for Indonesia in the reporting period (Graph I.9). In Kalimantan, industrial performance is predicted to improve, driven by a surge in aluminium production in

line with greater smelter capacity and higher alumina production. CPO production was also ramped up to meet requirements associated with mandatory B50 biodiesel implementation. In Sulampua, stronger industrial performance was supported by improving nickel pig iron (NPI) production in line with higher nickel ore supply, supported by adequate RKAB allocations. Liquefied Natural Gas (LNG) production also improved following facility maintenance. Manufacturing output in Sumatra is projected to grow at a more moderate pace than in the previous year, driven by CPO production to meet domestic B50 requirements and faster tin production following revisions to the work plan and budget (RKAB) for 2026. Meanwhile, industrial performance in Java is projected to moderate slightly in line with normalising domestic demand as the low season begins amid persistently high imports, particularly textiles and textile products (TPT), footwear and chemicals. In Balinusra, industrial growth is projected to normalise as the low-base effect gradually dissipates, given that the copper smelter was already operational in the corresponding period of the previous year.



Source: IHS Markit and Bank Indonesia, processed

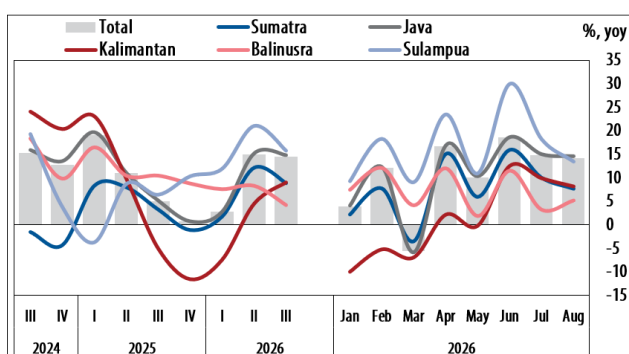
Graph I.9. Indonesia Manufacturing PMI

Manufacturing industry performance is projected to be maintained throughout 2026. Industrial performance in Java is expected to strengthen, primarily driven by: (i) improving domestic demand supporting the food and beverage as well as textile and textile product industries, (ii) full operation of the copper smelter in Gresik, and (iii) several new automotive factories located in West Java. Industrial performance in other regions is projected to record more moderate growth. In Sulampua, this is consistent with: (i) normalising nickel industry growth, influenced by a more moderate pace of expansion and adjustments to nickel ore RKAB quotas; and (ii) limited sulphur supply due to the war in Iran and limited water supply for High-Pressure Acid Leach (HPAL) smelters due to El Nino. In Kalimantan, moderation is influenced by the gradual ramp-up to full production at the Refinery Development Master Plan (RDMP) refinery, lower Crude

Palm Oil (CPO) production as dry conditions affect fresh fruit bunch (FFB) production, as well as the natural decline in LNG production. Industrial performance in Sumatra is projected to grow at a more moderate pace than in the previous year in line with: (i) limited production of CPO and downstream industrial products due to lower FFB supply in the first half of 2026; (ii) normalisation of electronics production following the end of frontloading in 2025 and full implementation of reciprocal tariffs with the United States; and (iii) adjustments to pulp and paper raw material supplies and tin RKAB quotas. In Balinusra, industrial growth is projected to remain solid as growth normalises after a surge in the previous year following the start of copper smelter operations, while smelter processing capacity is being optimised further during the current year.

Trade

Trade sector performance in the third quarter of 2026 was maintained in all regions. This was consistent with normalising demand following the national religious festive period and the end of the school holidays, as indicated by normalising growth in the value of e-commerce transactions in most regions (Graph I.10). In Java, performance was primarily influenced by lower sales of consumer goods, particularly food, beverages and tobacco. In Kalimantan, trade was affected by adjustments to major commodities, particularly coal. In Sulampua, normalisation was reflected in lower loading and unloading activity and motor vehicle sales. In Balinusra, lower tourist spending and public propensity to postpone purchases of durable goods also affected trade activity. In Sumatra, trade performance was primarily influenced by lower government spending in line with the post-disaster recovery of activity.



Source: Bank Indonesia

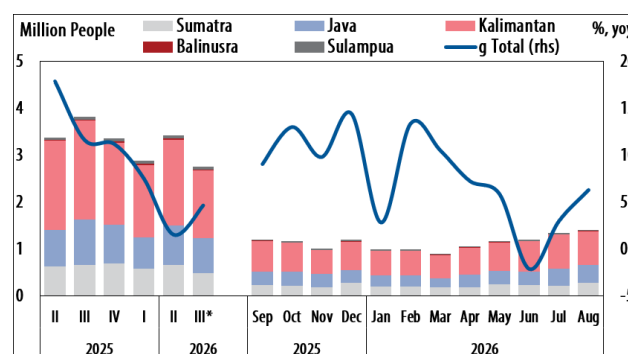
Graph I.10. E-Commerce Transaction Value

Trade sector performance is projected to improve in most regions in 2026. Improving consumption in various regions will primarily be driven by higher sales during the Christmas festive period and year-end discount pricing

programs, as well as maintained public purchasing power in line with ongoing government stimuli and wage increases. In addition, improving consumption in Sumatra is supported by ongoing post-disaster rehabilitation and government incentives. In Sulampua, stronger retail activity in nickel smelter industrial estates will support trade sector performance. Meanwhile, trade sector performance in Kalimantan is expected to be more subdued amid adjustments in mining activity, while growth in Balinusra is projected to moderate as tourist spending slows.

Accommodation and Food Service Activities

Accommodation and food service activities in the third quarter of 2026 are projected to be maintained, primarily supported by improvements in Balinusra. This was reflected by a return to positive growth of inbound international travellers in Bali, particularly in July and August 2026, following a contraction in the previous quarter (Graph I.11). Higher international arrivals in Balinusra were driven by easing geopolitical tensions in the Middle East and the gradual resumption of international flight connectivity. In addition, Australia's winter school holidays, China's summer holidays and additional direct international flight routes supported sectoral performance in the region. Meanwhile, accommodation and food service activities in Java are projected to continue moderating in line with normalising domestic tourist mobility following the long holiday period. This was also reflected in shorter tourist stays, which affected demand for accommodation as well as food and beverage services. Nevertheless, discounted transportation fares during the school holidays strengthened accommodation and food service activities.



Source: BPS-Statistics Indonesia, processed

Graph I.11. Inbound International Tourist Arrivals via Main Gateways

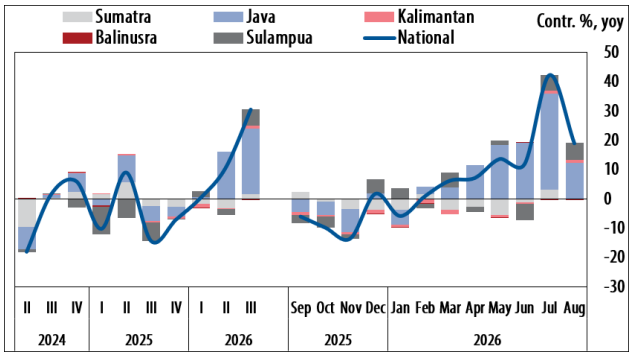
Accommodation and food service activities are projected to strengthen in 2026. In Java, stronger performance will

be driven by improving household consumption and community mobility, various events and meetings, incentives, conventions and exhibitions (MICE), as well as increasing digital payment transactions. In addition, implementation of the Free Nutritious Meals (MBG) program will continue boosting demand for food and beverage services, particularly in Java. In Balinusra, persistently strong international tourist arrivals from Australia will continue to support accommodation and food service activities. However, a full recovery remains constrained by geopolitical developments in the Middle East affecting flight connectivity and travel demand.

Construction

Construction sector performance in the third quarter of 2026 is projected to maintain strong growth. Sectoral performance was supported by the continued implementation of government infrastructure projects alongside ongoing private construction investment. This was primarily indicated by higher imports of construction goods in value terms, with the largest contribution from Java (Graph I.12). In Java, construction sector performance strengthened, driven by ongoing National Strategic Projects (PSN), government priority programs and Danantara projects that have entered the construction phase. In Sumatra, performance maintained positive growth, supported by the availability of bank financing amid adjustments to physical development under priority programs and demand for building materials. Ongoing private sector projects continued to support construction activity in Sulampua, although lower government project realisation constrained overall sectoral performance. In Balinusra, performance was maintained on the back of a sustained high number of new projects in the construction and pre-construction phases, particularly in Bali, as well as post-earthquake reconstruction needs in Flores. Meanwhile, construction activity in Kalimantan was constrained by

adjustments to budget realisation for Nusantara Capital City (IKN) and the completion of several private projects.



Source: Directorate General of Customs and Excise (DJBC), processed

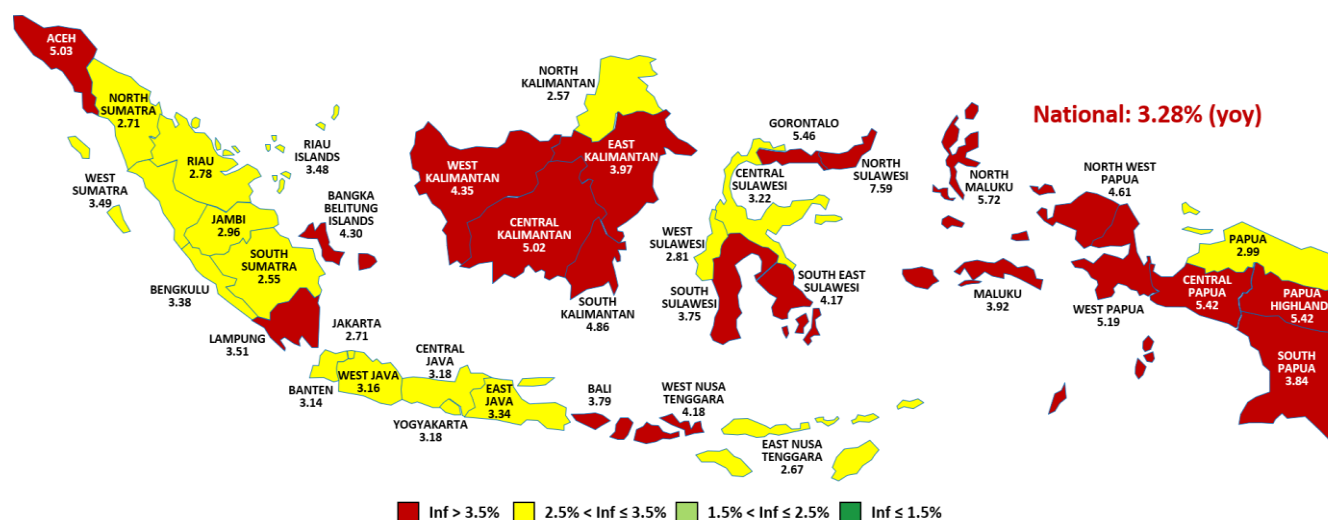
Graph I.12. Value of Construction Goods Imports by Region

Construction sector performance in 2026 is projected to strengthen in almost all regions. Various ongoing government and private projects are supporting performance through to year-end, particularly in Sumatra and Java. In Java, ongoing National Strategic Projects, Danantara projects and investment in industrial estates and special economic zones will be the main drivers. In Sumatra, faster post-disaster rehabilitation and reconstruction, alongside the continued development of data centres and the Betung-Jambi section of the Trans-Sumatra Toll Road (JTTS), will boost performance. Stronger performance in Sulampua will be driven by the accelerated development of industrial estates focused on downstreaming and the commencement of several government priority projects. Construction in Balinusra will remain supported by multiyear strategic projects and planned private investment in infrastructure and tourism accommodation projects. However, construction in Kalimantan is expected to record moderate growth in line with adjustments to the budget for Nusantara Capital City (IKN) and completion of the construction phase of several major private projects.

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PART 2

Recent Regional Inflation Developments and Outlook



Source: BPS-Statistics Indonesia, processed

Figure II.1. Map of CPI Inflation by Province in Q3/2026 (% yoy)

Composite Consumer Price Index (CPI) inflation in all regions in the third quarter of 2026 remained under control and within the 2.5±1% target corridor. Nationally, CPI inflation in the third quarter of 2026 was lower than at the end of the previous period. By component, core inflation moderated as increases in gold jewellery and cooking oil prices eased. AP inflation slowed in line with lower airfares amid higher non-subsidised fuel and cigarette prices. VF inflation increased due to lower supplies of various chilli varieties and rice from production hubs, alongside stronger demand for purebred chicken meat. Regionally, CPI inflation increased in all regions except Sumatra. The highest CPI inflation was recorded in Sulampua, with the lowest in Java (Figure II.1).

Core inflation moderated and remained low across all regions in the third quarter of 2026. Core inflation in the third quarter of 2026 moderated and was maintained at a low level in all regions. Milder core inflationary pressures were consistent with slower increases in gold jewellery and cooking oil prices in all regions, except Sulampua. Nevertheless, the transmission of imported input prices to food commodities continued, as reflected by an upward trend in traded food core inflation in most regions. Contained core inflation was supported by consistent Bank Indonesia monetary policy to anchor inflation expectations to the target, alongside exchange rate stabilisation policies to minimise the ripple effect of higher imported commodity prices on domestic prices.

VF inflation remained under control in most regions despite an increase in the third quarter of 2026. Higher VF inflation in the third quarter of 2026 was primarily influenced by production disruptions in food production hubs due to El Nino-related drought and pest infestations. Weather conditions also disrupted food supply distribution, particularly in Kalimantan due to forest and land fires and shallow rivers, as well as in Sulampua due to limited interprovincial supplies within Sulawesi. By commodity, VF inflationary pressures primarily stemmed from higher prices of various chilli varieties in line with lower post-harvest production, as well as purebred chicken meat due to stronger demand. Higher prices of various fish varieties also contributed to VF inflation, particularly in Sulampua and Kalimantan. A further increase in VF inflation was restrained by lower shallot and purebred chicken egg prices in response to improving supply.

AP inflation moderated in most regions. Lower AP inflation in the third quarter of 2026 primarily stemmed from lower airfares as the peak travel season transitioned into the low season, amid adjustments to non-subsidised fuel and cigarette prices. In Sumatra, Java and Kalimantan, AP inflation was lower than in the previous three-month period. Meanwhile, AP inflation in Balinusra and Sulampua recorded slight increases. In Balinusra, the increase was also driven by adjustments to local tariffs, including water utility tariffs and parking charges in several regencies and cities.

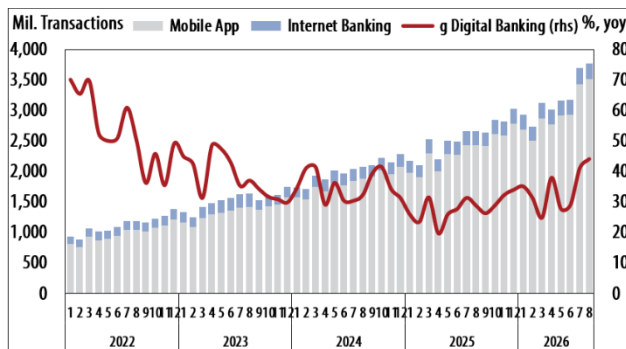
CPI inflation in 2026 is projected to remain within the 2.5±1% target corridor. The outlook is supported by consistent Bank Indonesia monetary policy to anchor inflation expectations and minimise the impact of imported inflation amid persistent global uncertainty. Core inflation is projected to remain under control, although the transmission of imported input prices to food commodities requires continuous monitoring. Bank Indonesia expects to rein in VF inflation, supported by improving post-harvest supply and close synergy with

the National/Regional Inflation Control Teams (TPIP/TPID) through stronger implementation of the Inflation Control and Food Prosperity Movement (GPIPS), focusing on supply availability and seamless distribution. Meanwhile, AP inflation will be maintained in line with the Government's energy policy direction. Moving forward, several risks demand vigilance, including weather disruptions (El Nino) affecting strategic food commodity production and uninterrupted interregional distribution.

PART 3

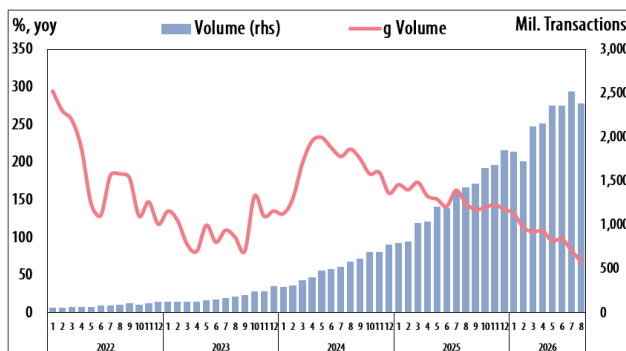
Recent Payment System and Rupiah Currency Management Developments

Digital payment transactions in Indonesia continued to record strong growth in line with the increasingly widespread use of digital channels. In August 2026, the volume of digital payments through mobile and internet banking increased by 44.13% (yoy) (Graph III.1). This was accompanied by increases of 32.04% (yoy) in electronic money transactions and 22.62% (yoy) in credit card transactions. QRIS use also continued to accelerate, supported by broader acceptance, as reflected by 47.1 million merchants and 69.3 million users. QRIS transaction volume in August 2026 totalled 2.4 billion, representing significant growth of 67.22% (yoy) (Graph III.2). This reflects broader acceptance, particularly among micro, small and medium enterprises (MSMEs), which also improved the efficiency of cashless transactions.



Source: Bank Indonesia, processed

Graph III.1. Digital Payment Transaction Volume



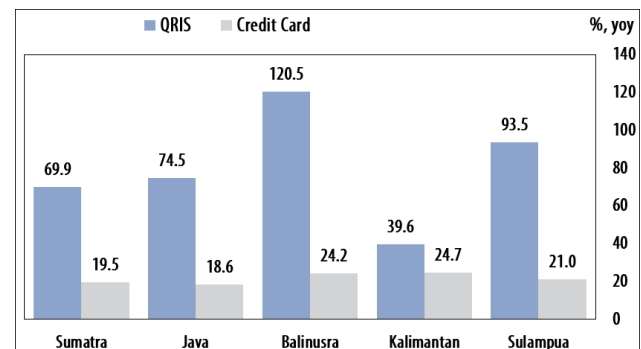
Source: Bank Indonesia, processed

Graph III.2. QRIS Transaction Volume and Growth

Bank Indonesia Payment System (SPBI) performance and currency in circulation maintained positive growth, supported by persistently high public transaction needs. On the retail side, BI-FAST transactions in August 2026 increased in both volume and value by 42.87% and

44.87% (yoy), respectively. Similarly, currency in circulation in August 2026 grew by 12.88% (yoy), broadly consistent with 12.90% (yoy) growth at the end of 2025. Such performance is indicative of maintained local economic activity.

Regionally, digital payment transactions sustained robust growth and expanded across all regions. In August 2026, the volume of digital banking transactions through mobile and internet banking grew by 44.13% (yoy), up from 29.13% (yoy) in June 2026. Meanwhile, QRIS transaction volume maintained strong growth of 67.22% (yoy) in August 2026, although below the 82.42% (yoy) recorded in July, reflecting the high base in the previous year. Regionally, the highest growth in July-August 2026 was observed in Balinusra (120.5% yoy) and Sulampua (93.5% yoy), while the lowest was recorded in Kalimantan (39.6% yoy), consistent with lower transactions in the large enterprise segment in East Kalimantan (Graph III.3). Credit card transactions also recorded higher growth outside Java, particularly in Kalimantan (24.7% yoy) and Balinusra (24.2% yoy). Cumulatively, QRIS transaction volume in January-August 2026 grew by 96.89% (yoy) and exceeded the total volume recorded throughout 2025. This was supported by broader acceptance among micro enterprises outside Java, as reflected in the share of transaction volume by micro enterprises in Kalimantan in July-August 2026, which increased significantly to 63.4% from 29.4% in the corresponding period of the previous year. Moving forward, optimising QRIS use by onboarded merchants, particularly in Java as the largest merchant base (66.0%), will be key to improving cashless transaction efficiency.

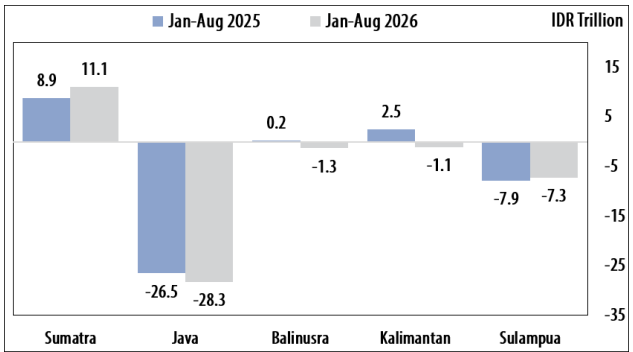


Source: Bank Indonesia, processed

Graph III.3. QRIS and Credit Card Transaction Volume Growth by Region, July-August 2026

Bank Indonesia Payment System (SPBI) performance and currency in circulation maintained positive growth, with cash requirements varying across regions. BI-FAST transaction volume growth in August 2026 was relatively stable compared with August 2025 at 42.87% (yoy). Cumulatively, BI-FAST transaction volume grew by 36.71% (yoy) in January-August 2026, lower than the 41.61% (yoy) growth recorded in January-August 2025. Meanwhile, currency in circulation grew by 12.88% (yoy) in August 2026, broadly consistent with growth of 12.90% (yoy) at the end of 2025. Regionally, Sumatra was the only region to record a net outflow during January-August 2026, totalling Rp11.1 trillion, up from Rp8.9 trillion in the corresponding period of the previous year. Conversely, Kalimantan and Balinusra shifted to net

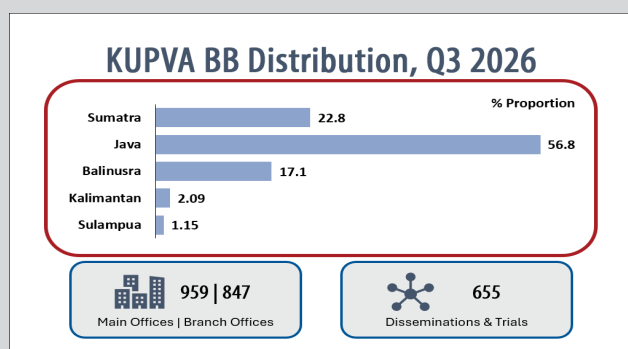
inflows, while Java continued to record the largest net inflow at Rp28.3 trillion (Graph III.4).



Source: Bank Indonesia, processed
Graph III.4. Net Currency Flows by Region

SINTA: Promoting Accessible, Compliant and Credible Digitalisation of Non-Bank Money Changers

The digitalisation of transaction recording has become essential for the non-bank money changer (KUPVA BB) industry. At the end of the third quarter of 2026 (Figure III.1), 959 head offices and 847 branch offices of non-bank money changers were operating nationally, with the largest concentrations in Java (56.8%) and Sumatra (22.8%). In conducting their business activities, operators must comply with various regulations, including Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) requirements and reporting obligations through various channels. Some operators, however, are still lack electronic transaction-recording systems and continue to rely on manual records. These conditions highlight the need for digitalisation support to improve operational efficiency and the quality, accuracy and consistency of transaction data.

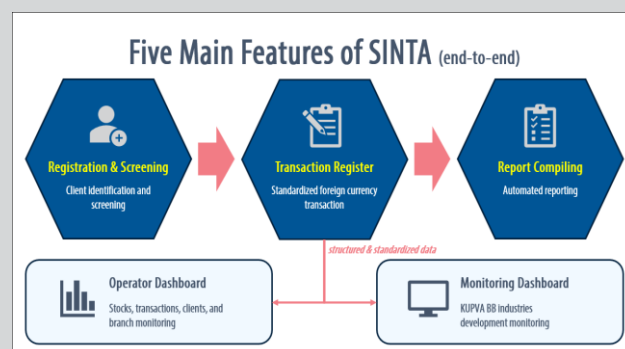


Source: Bank Indonesia

Figure III.1. Implementation Distribution

In response, Bank Indonesia introduced the Indonesian Non-Bank Money Changer Transaction Information System (SINTA) as an inclusive, standardised and integrated digital solution. SINTA supports non-bank money changer business processes end-to-end, from customer registration and screening, standardised transaction recording and automated report preparation to business performance dashboards that enable operators to monitor head office and branch operations in real time (Figure III.2). Moreover, data management in SINTA follows personal data protection regulations. For the industry, SINTA supports greater operational efficiency and regulatory compliance, while the data generated by SINTA will help Bank Indonesia monitor

industry performance and developments, as well as non-bank money changers' compliance with regulations issued by relevant authorities.



Source: Bank Indonesia

Figure III.2. Main Features of SINTA

SINTA implementation is being undertaken gradually and collaboratively, involving various stakeholders. Implementation involves synergy with associations and industry participants through a series of application testing and outreach activities, supported by technical guidelines, a user manual and helpdesk services. As of September 2026, outreach and pilot activities covered 655 non-bank money changers, representatives from 36 Bank Indonesia domestic representative offices had participated in training-of-trainers (ToT) sessions. In the initial phase, SINTA use is prioritised for operators without adequate transaction recording information systems. The positive industry response is reflected in the willingness of several operators to adopt SINTA, particularly in Java and Sumatra.

Moving forward, SINTA will continue to be developed to broaden its benefits for the industry and strengthen the effectiveness of Bank Indonesia oversight. Development will focus on stronger governance and system sustainability, expanded reporting automation and integration with Bank Indonesia's reporting ecosystem, as well as the gradual expansion of implementation. Through these efforts, SINTA is expected to support the transformation of the non-bank money changer industry towards greater efficiency, compliance and credibility, while strengthening consumer protection and supporting more effective, data-driven supervision.

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