

SNAPSHOT

HIGHLIGHTS FOR THIS WEEK:

- Economy:** Rupiah weakened under pressure with IDX composite shooting to record high, meanwhile market reception tests Central Bank's policy outlook ahead of its Deputy Governor nomination.
- Energy:** Higher 2026 non-tax state revenue targets under pressure from production cuts and RKAB uncertainty.
- Industry & Labor:** Revision to Civil Procedure Code transferred to House of Representatives to accelerate legal processes whilst upcoming AI Presidential Regulation will shape corporate compliance and strategies.
- Politics & Governance:** E-voting discussions remain at early-stage, while CPO export corruption case underscores importance of governance for regulatory certainty and investor trust.

ECONOMY

MARKET DIVERGENCE: RUPIAH UNDER PRESSURE AS IDX COMPOSITE HITS RECORD

Rupiah weakens with the exchange rate nearly **touching IDR17 thousand per US dollar**, driven by domestic and international sentiments. Domestically, the state budget deficit has widened to approximately **2.35% of GDP, approaching the 3% threshold**. Ongoing geopolitical tensions, among them escalating US-Iran conflict have pressured energy producers like Indonesia. In contrast, the IDX Composite hit a new **all-time high of 9,133 on Jan 19**, breaking away from Rupiah pessimism.

For industry players, the rally in IDX Composite supports **a positive wealth effect**, as higher equity valuations improve corporate balance sheets and access to financing, supporting investment and expansion. However, weakening Rupiah raises import, energy, and food costs, feeding into inflation which potentially erodes purchasing power. **Regulatory support becomes crucial to stabilize Rupiah** to bridge equity optimism with broader economic momentum.

CENTRAL BANK DEPUTY GOVERNOR NOMINATION SHIFTS MARKET FOCUS TO POLICY CREDIBILITY

The government has proposed **Deputy Finance Minister Thomas Djiwandono** as a candidate for Deputy Governor of Central Bank. The proposal emerged amid **investor concerns over the position of the Bank** in light of the President's ambitious economic growth target of **8% by 2029**. These concerns intensified after the Central Bank introduced a **burden-sharing scheme** to finance several government programs.

The nomination serves as a litmus test for institutional independence, given Djiwandono's proximity to the incumbent president. Should markets perceive a pivot from "inflation-first" to "growth-at-any-cost" (quasi-fiscal) mandates, **risk premiums will widen**. For industries, this erodes the predictability of the cost of capital, potentially raising interest rates and hedging costs, while weakening the Rupiah further simultaneously. The Central Bank's immediate priority should be currency preservation. Prioritizing exchange rate over immediate stimulus can safeguard against geopolitical shocks and reassure investors of the Bank's operational autonomy amidst widening fiscal deficits.

ENERGY

2026 MINERAL AND COAL NON-TAX STATE REVENUE TARGETS AND THE STAKES OF COMMODITY PRICES

The GoI has set the 2026 non-tax state revenue target from **mineral and coal at IDR134 trillion, up 7.63% from the 2025 target** despite plans to adjust production. Reliance on rising prices of several mineral commodities such as gold, nickel, and tin, as well as improvements in mining oversight and governance are expected to support such target.

However, there may be **potential decline in non-tax revenue** alongside plans of coal production cuts amid uncertain commodity prices. For operators, these provisions may reduce output certainty and delay revenue realization, halting cash flow, limiting cash reserves, and slowing investment execution.



REGULATORY

CIVIL PROCEDURE CODE REVISION SHIFTED TO HOUSE OF REP. TO SPEED UP IMPLEMENTATION

The government has approved the **transfer of the proposal for Civil Procedure Code revision** from the executive to the legislative branch (House of Representatives), for faster deliberation process. The bill, included in the National Legislation Program introduces **fast-track examinations** for certain cases, **electronic hearings, disability-friendly facilities**, and the **establishment of time limits for summons, seizures, and cassation proceedings**.

This update to the civil procedure framework has the potential to accelerate legal processes and reduce uncertainty that often arises from prolonged procedures. The digitalization of hearings and the establishment of deadlines are expected to help measure and streamline processes. This update could **reduce legal uncertainty** and **improve predictability** for businesses in civil cases through faster and more structured dispute resolution.

REGULATORY FRAMEWORK ON AI UTILIZATION AND DEVELOPMENT TO BE ISSUED

The Ministry of Communication and Digital (Komdigi) announced that two Presidential Regulations related to artificial intelligence will soon be issued, namely the National AI Roadmap and guidelines on the security and ethical use of AI. These two regulations are prepared as a strategic legal framework to regulate the utilization and development of AI across sectors, while complementing existing regulations in the digital and data protection fields.

The move transitions AI oversight **from voluntary circulars to a formal legal framework**. These mandates complement existing regulations to govern algorithmic transparency, bias mitigation, and data integrity across high-priority sectors like finance and healthcare. For industry, this shift necessitates a proactive pivot in technology strategy: firms must move beyond experimentation to **ensure AI architectures meet new national security standards** and **ethical compliance, de-risking investments against future enforcement** or shouldering **costly retroactive adjustments**.

POLITICS & GOVERNANCE



E-VOTING FOR REGIONAL ELECTIONS?

The government and the legislative have begun reviewing PDIP's proposal to implement an **e-voting system in regional elections**, with cost-saving considerations as the rationale, given that elections have long burdened the state and regional budgets. Nevertheless, both parties emphasize that discussions remain at an early stage.

It will focus on issues of security, data integrity, and the suitability of technology to Indonesia's characteristics. The e-voting bill is potentially challenging due to **uneven regional infrastructure** and **current inattention to data security**, given the large-scale collection and distribution of sensitive voter data during elections.

CPO EXPORT CORRUPTION HIGHLIGHTS GOVERNANCE CHALLENGES

The Attorney General's Office has conducted searches of several foreign exchange money changers as part of **an investigation into alleged corruption in the export administration of CPO and POME** at the **Directorate General of Customs and Excise**. The development underscores the importance of strengthening export-import activities and cross-border financial flows governance within government institutions. Law enforcement efforts accompanied by systemic improvements are expected to **strengthen regulatory certainty** and **provide a signal of stability** for investors.

Source(s): Katadata, Kompas.com, Bloomberg Technoz

List of abbreviations: US (United States); GDP (Gross Domestic Product); IDX Composite (Indonesia Stock Composite Index); AI (Artificial Intelligence); Komdigi (Kementerian Komunikasi dan Digital); E-Voting (Electronic Voting); PDIP (Partai Demokrasi Indonesia Perjuangan/Indonesian Democratic Party of Struggle); CPO (Crude Palm Oil); POME (Palm Oil Mill Effluent)



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