

SNAPSHOT

HIGHLIGHTS FOR THIS WEEK:

- **Economy:** Moody's slashes Indonesia's credit outlook to negative following MSCI downgrade, while BI-FAST is primed for cross-border transfers under Project Nexus
- **Energy:** Danantara launches Perminas to manage critical minerals mining and processing activities.
- **Regulatory:** Revised Human Rights Law potentially extends responsibility to state institutions and business actors amid ongoing discussions on Draft Law on Strategic Commodities to strengthen food security.
- **Politics & Governance:** Indonesia reassesses its diplomatic options following Board of Peace membership plans, while the House reviews alternative formulas to determine parliamentary threshold.

ECONOMY

MOODY'S LOWERS INDONESIA'S CREDIT OUTLOOK TO NEGATIVE, PROMPTING CALLS FOR POLICY CLARITY

Moody's Ratings has **reclassified Indonesian credit outlook to negative from stable** on Thursday, Feb 5. While the agency has **maintained the country's credit as investment grade at Baa2**, the downgrade precipitated immediate negative market sentiment with **IDX Composite Index weakening by 2.83% to 7,874 during the first session on Feb 6th**. Moody's negative outlook highlighted **rising institutional risk**, underscoring Indonesia's unpredictable policy shifts, governance concerns, and rising uncertainty which may harm investors' trust.

The recent cut to Indonesia's credit outlook follows MSCI's downgrade in the past few weeks, **warning potential rising cost of capital and liquidity tightening**, particularly as the cost of insuring Indonesian debt (CDS spreads) has climbed to a 15-month high. Sustaining Indonesia's investment grade status and restoring market confidence ultimately rests on the government's ability to demonstrate **fiscal discipline, regulatory certainty**, and safeguard **transparent governance** in the coming months.

CENTRAL BANK OFFICIALLY JOINS PROJECT NEXUS, RESHAPING CROSS-BORDER TRANSFERS WITH BI-FAST

Indonesian Central Bank has **formally joined Project Nexus as a full member**. The project is spearheaded by BIS, aiming to link instant payment systems across countries and strengthening cross-border payment connectivity. The Central Bank will develop its BI-FAST system to be connected to the Nexus network, **facilitating its use for cross-border fund transfers**.

Project Nexus consists of several central banks, including BNM, BSP, MAS, BOT, and RBI, with domestic clearing and settlement processes remaining under each respective jurisdictions. The expansion of BI-FAST under the project will **reduce the time and costs associated with international transfers** between member countries, though adjustments may still be needed to ensure payment systems are compliant to cross-jurisdictional transfers. For expansionary-driven firms, the move **reduces barriers of entry** for expansion, allowing **real-time treasury management** and **reduced reliance on costly correspondent banking intermediaries**.

ENERGY

PERMINAS SET TO BECOME A NEW PLAYER IN INDONESIA'S CRITICAL MINERALS SECTOR

State investment agency Danantara has established **a new state-owned enterprise, PT Perusahaan Mineral Nasional (Perminas)**, which will **manage critical minerals** such as nickel, copper, gold, and iron sand, **including refining and value-added metal processing activities**.

The move marks a **strategic pivot towards centralized state control on high-growth sectors** like critical minerals and REEs. Distinct from MIND ID holding, Perminas serves as an agile entity, earmarked to take over high-stakes Martabe gold mine and other seized or underutilized concessions. Future entry from private players will thus require **partnership-first strategy** with Perminas.



REGULATORY

NEW PROVISIONS FOR GOVERNMENT AND BUSINESS ACTORS IN UPCOMING HUMAN RIGHTS LAW REVISION

The revision of **Law No. 39/1999 on Human Rights**, included in the 2026 Prolegnas, has begun its deliberation in the legislative branch. Upcoming revision includes **sanction mechanisms** for **government institutions that violate** human rights alongside **requirements for business actors to comply** with human rights enforcement. The update plans to feature provisions on business actors' due diligence, clarification of the state's obligations, and the recognition of non-state actors as subjects of human rights law, particularly in cases involving agrarian conflicts and indigenous peoples.

Human rights compliance is shifting **from a reputational asset to a core legal liability**. Furthermore, with the potential for **criminal fines indexed to profits** and the threat of **license revocations**, proactive adoption of human rights due diligence into standard risk management and business protocols has become a critical business aspect. This shift reflects Indonesia's increasingly assertive role on human rights issues as the presiding President of the UN Human Rights Council in 2026. Alongside the new Criminal Code currently in effect, corporate governance will not only be evaluated in terms of business operations and licensing, but also based on their human rights impacts and responsibilities.

DRAFT LAW ON STRATEGIC COMMODITIES TO STRENGTHEN FOOD SECURITY AND CEMENT BUSINESS CERTAINTY

The Legislative Body of the House of Representatives, Ministry of Trade, and the Ministry of Agriculture convened to discuss the Draft Law on Strategic Commodities on Feb 5, which identifies several commodities, such as **rice, corn, soybean, sugar, and cooking oil** to be potentially strategic due to their role as basic necessities and supporting the national economy. The discussion centered on **harmonizing provisions** governing **commodity trade, protection for domestic producers, and value-adding commodities**. The initiative aims to build legal certainty for local producers through establishing criteria for strategic commodities, regulation of national stock buffer mechanisms, and regulatory simplification to drive competitiveness of local products and improve their market position globally.

POLITICS & GOVERNANCE



INDONESIA TAPS ON FORMER MINISTERS TO NAVIGATE GEOPOLITICAL RISKS

President Prabowo invited former Ministers of Foreign Affairs to the Presidential Palace on Wednesday, Feb 4 to **calibrate Indonesia's strategy** following its controversial entry into **Trump-led Board of Peace**. The dialogue reinforced **Indonesia's commitment to two-state solution**, while establishing a **"red line"** **for potential withdrawal** should the forum's actions compromise national interests. As a key US ally, Indonesia faces the delicate task of leveraging this new platform without eroding its historical stance for Palestinian sovereignty. As the government navigates geopolitical volatility, industry leaders should prepare for **heightened policy agility**, where sudden shifts in trade and diplomatic posture may emerge.

LEGISLATIVE REVISITS PARLIAMENTARY THRESHOLD, REVIEWS OPTIONS

Following up the **Constitutional Court Decision on Election Law revision**, where the 4% parliamentary threshold must be **reformulated for the 2029 General Election**, the legislative branch is currently reviewing a range of options to determine the new threshold. These range from **lowering to 2.5%**, or alternatively, **substituting it with a faction-formation threshold**. The reformulation will measure how votes are converted into seats and the number of political parties represented, **reshaping the policymaking dynamics** from number of political actors involved to faction positions, ultimately, **transforming the lobbying landscape for critical regulations**.

Source(s): Katadata, Bloomberg, TV One News, CNBC, Bloomberg Technoz, Antara News, Detik, Media Indonesia, Sindo News

List of abbreviations: IDX (Indonesia Stock Exchange); MSCI (formerly Morgan Stanley Capital International); CDS (Credit Default Swap); BI-FAST (Bank Indonesia – Fast Payment); BIS (Bank for International Settlements); BNM (Bank Negara Malaysia); BSP (Bangko Sentral ng Pilipinas); MAS (Monetary Authority of Singapore); BOT (Bank of Thailand); RBI (Reserve Bank of India); REEs (Rare Earth Elements); MIND ID (Mining Industry Indonesia); Prolegnas (Program Legislasi Nasional/National Legislation Program); UN (United Nations); US (United States)

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