Monthly Sector Report (July '26)

The repatriation of US$640 million in profits by Indonesia's three largest foreign banks since 2024 serves as a strong signal of tightening liquidity and a shift in global banking risk preferences regarding the domestic business climate. This reduction in foreign capital exposure compels the national Multifinance industry to be more selective and adaptive in mapping out its portfolio expansion.

On one hand, the national mining and commodities segment offers solid cash flows—driven by the recovery of the Benchmark Thermal Coal Price (HBA) and support for downstream processing—which acts as a direct catalyst for renewed activity in the heavy equipment sector as operational and investment prospects improve in the second half of 2026. On the other hand, Multifinance companies face weakening middle-class purchasing power, which is pressuring the used car market and driving up Non-Performing Financing (NPF) ratios; this is prompting the industry to shift its focus from retail financing toward productive, commodity-based sectors while maintaining rigorous cash flow risk management. Below, we present the latest updates from the mining, heavy equipment, and used car sectors;

A. Heavy Equipment Industry: Momentum for the Recovery of the Mining and Heavy Equipment Industries in the Second Half of 2026

As of July 2026, the mining and heavy equipment sectors have shown a number of developments influenced by government policies and investments in the manufacturing sector. The following is a summary of developments in the mining and heavy equipment sectors throughout July 2026.

- **Revision of the 2026 Coal Work Plan and Budget (RKAB) Expected to Drive the Mining Industry's Recovery of the 2026 Coal Work Plan and Budget (RKAB) Expected to Drive the Mining Industry's Recovery**

  The government has begun processing revisions to the 2026 Coal Production Work Plan (RKAB) in response to the slowdown in mining activity during the first half of 2026. In accordance with Ministry of Energy and Mineral Resources Regulation No. 17 of 2025, proposals for revising the RKAB may be submitted until July 31, 2026; therefore, the government's decision will be a key factor for mining activity in the second half of the year.

  PERHAPI has proposed that the coal production quota be increased to approximately 720 million metric tons from the previous level of around 600 million metric tons. This quota increase is deemed necessary to meet market demand—particularly for exports—and to provide mining companies with the flexibility to fulfill their agreed-upon sales contracts.

Production quota limitations during the first half of the year have led to a decline in activity among mining service companies. Many contractors have experienced a decrease in work volume, low heavy equipment utilization, and pressure on business performance. Nevertheless, industry players believe that revising the RKAB could serve as a catalyst for improvement, even though the time remaining until the end of the year is relatively limited.

In addition, PERHAPI estimates that Non-Tax State Revenue (PNBP) from the mineral and coal sector could potentially decline by around 23.5% if the RKAB revision is not approved immediately. Therefore, expediting the RKAB revision is expected to drive the recovery of mining activities while maintaining the mineral and coal sector's contribution to state revenue.

- B50 Trends in Industrial Diesel Prices and the Implementation of B50 Biodiesel

In addition to developments regarding the revision of the RKAB, the mining sector has also benefited from positive sentiment driven by the decline in industrial diesel prices. **After briefly reaching high levels, industrial diesel prices fell in the second half of July 2026**. This situation has the potential to reduce operating costs, improve efficiency, and boost margins, particularly for businesses in the mining sector.

The following are the trends in industrial diesel prices:

Region	Period	
	1 – 14 Juli 2026	15 – 31 Juli 2026
Region 1 (Sumatera, Jawa, Madura, dan Bali)	22.450	18.200
Region 2 (Kalimantan, Sulawesi, Nusa Tenggara Barat (NTB), dan Nusa Tenggara Timur (NTT))	22.450	18.200
Region 3 (Maluku)	22.550	18.300
Region 4 (Papua)	22.700	18.450

Source: https://www.hargasolarindustri.com/

Meanwhile, **the government has officially implemented the B50 Biodiesel program effective July 1, 2026**, as part of efforts to strengthen national energy security and increase the utilization of domestic palm oil. B50 is a blend of 50% biodiesel (palm oil-based FAME) and 50% diesel, replacing B40. The implementation will be phased in gradually through September 30, 2026, to allow businesses time to use up their remaining B40 inventory. For consumers, the adoption of B50 will not change the price of subsidized Biosolar at gas stations, as it will continue to follow the price set by the government.

From a policy perspective, the implementation of B50 is expected to reduce dependence on diesel imports, increase the value added of the palm oil industry, and support the national energy transition. However, for the mining sector, the implementation of B50 still faces a number of operational challenges. According to Perhapi, the use of B50 has the potential to increase operational costs by up to about 10%, primarily due to higher fuel consumption, increased frequency of maintenance and filter replacements, and a potential decrease in efficiency for heavy equipment that is not yet fully compatible with B50. Thus, although B50 offers strategic benefits for national energy security, its implementation in the mining sector requires operational adjustments to minimize its impact on productivity and costs.

- LiuGong Invests IDR 1.3 Trillion to Build Indonesia's First EV Heavy Equipment Factory

On July 22, 2026, Chinese heavy equipment manufacturer LiuGong officially began construction of the Indonesia Green Smart Industrial Park in the Karawang Artha Industrial Hill (KAIH) Industrial Zone, West Java, with an initial investment of approximately Rp1.3 trillion. This facility will be LiuGong's first factory in Indonesia to produce electric heavy equipment and is targeted to begin operations in the first half of 2027.

The factory will produce excavators and wheel loaders, including electric vehicle (EV) models, with an initial capacity of up to 5,000 excavators and 500 wheels loaders per year. Initial production will still use the Completely Knocked Down (CKD) assembly method, but the use of local components (TKDN) will gradually increase through the development of domestic suppliers. In addition to the production facility, LiuGong will also build a Research and Development (R&D) center and establish partnerships with universities to support technology transfer and the development of the local workforce.

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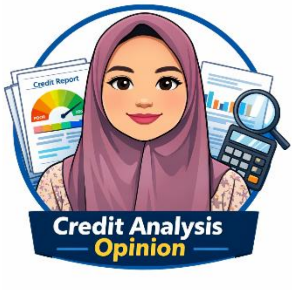
This investment reflects investors' optimism regarding the prospects of Indonesia's heavy equipment industry while strengthening Indonesia's position as a manufacturing and export hub in the Asia-Pacific region. Moving forward, the success of this project will depend on increasing the TKDN ratio, strengthening the domestic supply chain, and the readiness of Indonesia's electric heavy equipment ecosystem.



Nadya Citra Multasya
(Credit Analyst)

Developments in the mining and heavy equipment sectors in the second half of 2026 indicate that prospects are beginning to improve, driven by plans to revise the RKAB, a decline in industrial diesel prices, and the influx of new investment in the heavy equipment industry. The accelerated revision of the RKAB is expected to restore coal production activities, while the drop in industrial diesel prices has the potential to reduce operating costs and improve corporate efficiency. On the other hand, LiuGong's investment in the construction of an electric heavy equipment factory reflects investor confidence in the prospects of Indonesia's heavy equipment manufacturing industry.

Nevertheless, a number of challenges still need to be anticipated. The implementation of B50 biodiesel has the potential to increase operating costs and maintenance requirements for heavy equipment, so businesses need to make operational adjustments to maintain productivity. In addition, the effectiveness of the RKAB revision will depend heavily on the timeliness of its implementation, given that the time remaining until the end of the year is relatively limited.

B. Mining Industry : Positive Outlook for Indonesia's Mining Sector and Prudent Financing Strategies

Indonesia's mining sector continued to show relatively positive prospects during July 2026 amidst global economic uncertainty. Demand for key commodities such as coal, nickel, copper, and gold remains supported by energy needs, infrastructure development, and the transition to clean energy. However, the weakening global economy, commodity price volatility, and the dynamics of international trade policies remain factors that require careful monitoring.

Domestically, mining companies' production activities are still running according to the government-approved RKAB targets. Mineral downstreaming continues to be a government focus in an effort to increase the added value of the national mining industry.

- Constitutional Court Decision Regarding Prioritization of Domestic Supply Chain Fulfillment

On July 16, 2026, the Constitutional Court (MK) through Decision Number 202/PUU-XXIII/2025 partially granted the petition for material review of Law Number 2 of 2025 concerning the Fourth Amendment to Law Number 4 of 2009 concerning Mineral and Coal Mining (Minerba Law). In the decision, **the Constitutional Court emphasized that the government is obliged to prioritize fulfilling the needs of the domestic supply chain before granting Mining Business Permit Areas (WIUP) as a priority for downstream activities.**

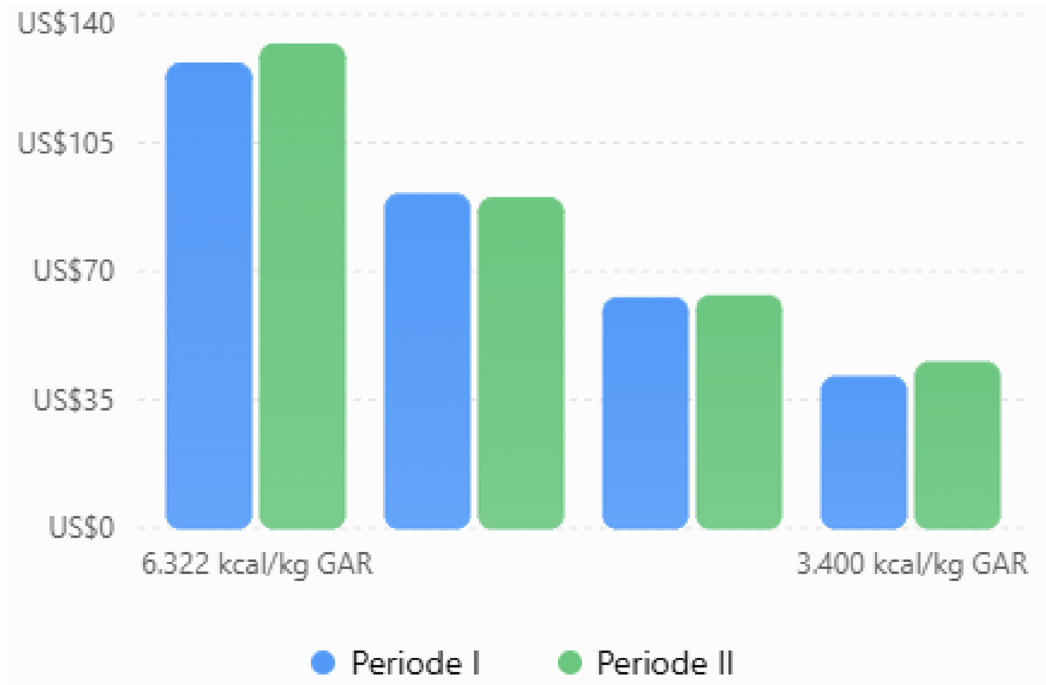
The Court is of the opinion that the phrase **"and/or"** contained in Article 51B paragraph (2) letter d and Article 60B paragraph (2) letter d of the Minerba Law has the potential to give rise to multiple interpretations because it places the interests of fulfilling domestic and global supply chains on an equal footing. Therefore, the Constitutional Court stated that both provisions are contrary to the 1945 Constitution of the Republic of Indonesia insofar as they are not interpreted to mean that the granting of WIUP as a priority must first prioritize increasing added value and fulfilling the needs of the domestic supply chain, before subsequently fulfilling the needs of the global market.

The Constitutional Court's ruling provides legal certainty that reinforces the national downstreaming program and the availability of raw materials for domestic industry; however, it simultaneously increases domestic supply obligations for export-oriented mining companies. Consequently, business operators are required to promptly adjust their production, marketing, and sales contract strategies to strike a balance between meeting domestic market demand and optimizing export revenue.

- Development of Reference Coal Prices (HBA)

The Minister of Energy and Mineral Resources determined the Reference Coal Price (HBA) for Period II July 2026 through the Decree of the Minister of Energy and Mineral Resources Number 285.K/MB.01/MEM.B/2026 concerning the Reference Metal Mineral Price and Reference Coal Price for the Second Period of July 2026.

The following graph shows the development of the Reference Coal Price (HBA) for Periods I and II, July 2026, based on the calorific value category. **The graph above shows that the Reference Coal Price (HBA) for Period II, July 2026, increased in most coal categories**, especially high-calorie coal **6,322 kcal/kg GAR**, which increased by **4.16%** to **US$131.85 per ton**, and low-calorie coal **3,400 kcal/kg GAR**, which increased by **9.44%** to **US$45.08 per ton**.



This situation indicates that market demand for Indonesian coal remains relatively stable, both for high- and low-calorie coal. This price increase has the potential to positively impact mining companies' revenue, profitability, and cash flow, particularly for producers with competitive production cost structures.

While the rise in the HBA (Reference Coal Price) for high-caloric coal has had a positive impact, the sector remains exposed to price volatility driven by global demand dynamics and supply fluctuations. Therefore, operational efficiency and disciplined price risk management are crucial to maintaining the company's sustainable financial performance amidst market uncertainty.

 Y. Aziz (Credit Analyst)	Overall, the Indonesian mining sector in July 2026 still demonstrated solid fundamentals with a positive and stable outlook. Consistent government policies promoting downstreaming, supported by legal certainty through the Constitutional Court Decision and the improvement in the Reference Coal Price (HBA), are positive catalysts for the growth of the national mining industry. Nevertheless, industry players need to remain vigilant about various external risks, such as the global economic slowdown, commodity price fluctuations, changes in international trade policies, and geopolitical dynamics that could impact export demand and company financial performance. From a financing industry perspective, the mining sector remains a priority for financing, while maintaining a prudent approach through evaluations of cash flow quality, capital structure, leverage levels, operational efficiency, and the business prospects of each borrower.

C. Used Car Market: Multifinance Resilience in the First Half of 2026 – Profitability Amidst Automotive Market Contraction

Rating agency Fitch Ratings assesses that multi-finance companies in Indonesia will face greater pressure than the banking sector due to a combination of rising fuel prices, higher interest rates, and the weakening rupiah.

Multifinance companies are more vulnerable due to their reliance on motor vehicle demand, wholesale funding sources, and the cash flow quality of consumers and MSMEs. While banks also have exposure to these same segments, the impact is expected to be more limited given their more diversified loan portfolios. Fitch projects that **inflation driven by rising fuel prices will reduce middle-class** disposable income and dampen spending on big-ticket items, including vehicle purchases. This situation could **slow the growth of multifinance lending, considering that approximately 70% of the industry's receivables stem from motor vehicle financing**. Asset growth in the multifinance sector is also expected to decelerate if financing institutions continue to tighten credit underwriting standards—a trend observed over the past two years.

Although adjustments to lending rates may support profitability in the short term, Fitch warns that these benefits could be eroded by rising credit costs should the cash flows of consumers and MSMEs continue to weaken. Industry data indicates a deterioration in MSME asset quality, with the non-performing loan **(NPL) ratio for the MSME segment rising to 4.59% in the first quarter of 2026, up from 4.14%** during the same period the previous year.

➢ State of the Multifinance industry in the first half of 2026:

The Multifinance industry recorded a **net profit of IDR 10.47 trillion as of May 2026** (a 13.25% increase), even though total financing growth slowed to IDR 513.19 trillion (a marginal rise of 1.71%) due to a contraction in motor vehicle financing. Multipurpose financing served as the primary driver, while the car segment faced pressure.

- Financing and Revenue Performance
  - **Total Financing Receivables**: Reached IDR 513.19 trillion as of May 2026.
  - **Net Profit:** Surged by 13.25% year-on-year (YoY) to IDR 10.47 trillion as of May, driven by efficiency optimization and fee-based income.
  - **Growth Driver:** Multipurpose financing dominated and served as the backbone of the Multifinance business, offsetting declines in other sectors.

- Automotive Sector Trends
  - **Vehicle Financing Contraction**: Vehicle financing (particularly for new and used cars) contracted by 1.44% YoY to IDR 402.49 trillion as of May.
  - **Car Sub-segment**: Financing for new and used cars declined by 3.61% YoY (to IDR 232.74 trillion) due to weakening consumer purchasing power in the automotive sector.

- Asset Quality and Challenges
  - **Credit Risk**: An upward trend in credit risk is being monitored, although the Non-Performing Financing (NPF) ratio generally remains within safe and controlled limits. Gross NPF stood at 3.06% as of May 2026, an increase from the 2.89% recorded in the previous month.
  - **Industry Challenges:** The weakening automotive market has put pressure on company operations, even giving rise to issues regarding restructuring and potential layoffs among some financing players.

Riko Sanjaya
(Credit Analyst)

Indonesia's Multifinance industry demonstrated resilient profitability in the first half of 2026, with net profit growing by 13.25% (reaching IDR 10.47 trillion as of May), even though overall financing receivables grew modestly at 1.71% year-on-year. This positive performance was primarily driven by portfolio diversification into the multipurpose financing segment, operational efficiencies, and the optimization of fee-based income. However, structural vulnerabilities within the industry became apparent due to a continuing contraction in the motor vehicle financing line—specifically the car segment, which saw a 3.61% year-on-year decline driven by eroding middle-class purchasing power and high cost-of-living pressures.

The Multifinance sector faces greater vulnerability than the banking sector due to a combination of rising fuel prices, high interest rates, and a weakening rupiah, all of which place strain on MSME and retail borrowers. The upward trend in the gross Non-Performing Financing (NPF) ratio to 3.06% as of May 2026, alongside deteriorating credit quality in the MSME sector, serves as an early warning signal; these factors could erode long-term profitability through the necessary accumulation of

	credit loss provisions. To sustain business operations amidst the automotive market slowdown, financing companies are advised not to rely solely on tightening credit criteria; instead, they must proactively strengthen cash flow risk management, intensify monitoring of collection performance, and focus expansion efforts on financing products that are more productive and carry measurable risk levels.

Source :

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