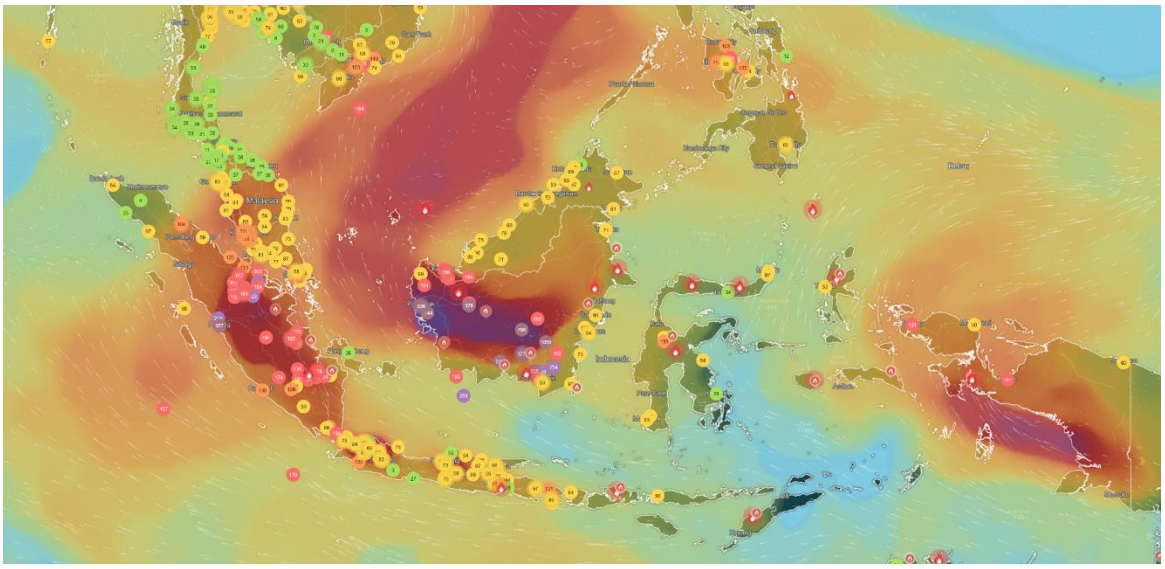
Monthly Sector Report (September '26)

Forest and land fires have recently occurred across various regions of Indonesia, presenting not only an environmental issue but also one with far-reaching economic consequences. The high number of hotspots and the vast extent of burned areas–coupled with degraded air quality–have created impacts that extend even to neighboring countries. These conditions have disrupted various aspects of daily life and business operations, affecting sectors ranging from transportation and healthcare to education.



These impacts can lead to additional costs and productivity disruptions. Flight delays caused by haze, rising health complaints, adjustments to educational activities, and the substantial resources deployed by the government to manage forest and land fires demonstrate that the consequences affect the government, the public, and the business sector alike. Consequently, these fires must be viewed as a risk capable of influencing the operations, costs, and continuity of economic activities in affected regions.

For businesses and investors, the recurring nature of these fires highlights the importance of incorporating fire risks and climate factors into long-term planning. Weather conditions, the dry season, land characteristics, asset locations, and mitigation preparedness are all factors that must be considered when managing operational and investment risks. Prevention efforts, climate monitoring, and the development of contingency plans can play a crucial role in enhancing business resilience against the impacts of forest and land fires.

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The forest and land fires throughout 2026 caused not only environmental and health-related losses but also had a significant impact on the economy and local tax revenues. CELIOS estimates that potential lost local tax revenue reached IDR 269.86 billion, while total economic losses and healthcare costs were estimated to range from IDR 39.29 trillion to IDR 123.1 trillion. The magnitude of these impacts demonstrates that forest and land fires can disrupt various economic sectors–both directly and indirectly–underscoring the need for the government to strengthen prevention and mitigation efforts, as well as protections for the public and business activities in at-risk areas.

We present below information regarding three industry sectors linked to these impacts–namely mining, heavy equipment, and the used vehicle market–to provide an overview of the potential for business activity and financing developments in each sector.

A. Heavy Equipment Industry: Heavy Equipment Industry Dynamics 2026

Amidst a slowdown in sales and financing during the first half of 2026, the heavy equipment industry still sees opportunities stemming from mining and hauling activities, as well as the growing need for forest and land fire management and no-burn land clearing. However, these opportunities are tempered by risks such as asset damage from fires and rising operational costs driven by non-subsidized fuel prices. These dynamics are crucial factors in assessing the industry's outlook for the second half of 2026, particularly regarding demand, operational risks, and cost pressures.

➢ OJK: Heavy Equipment Financing Contracted by 0.22% in June 2026

Based on OJK data as of June 2026, heavy equipment financing provided by finance companies stood at IDR 48.65 trillion, a slight year-on-year (YoY) decline of 0.22%. The mining and quarrying sector remained the largest contributor, accounting for IDR 27.13 trillion–or approximately 55.76%–of total financing.

The industry's slowdown is also reflected in the performance of market players. PT United Tractors Tbk (UNTR) recorded a 15% drop in net revenue to IDR 58.29 trillion in the first half of 2026. In the construction machinery segment, sales of Komatsu heavy equipment fell by 27% to 1,994 units, with segment revenue declining by 28% to IDR 15 trillion. Meanwhile, PT Intraco Penta Tbk (INTA) reported a 43.07% decrease in sales to IDR 139 billion.

Nevertheless, the OJK projects that heavy equipment financing has the potential to improve in the second half of 2026, driven by rising activity in sectors that utilize such equipment. While prospects for the mining and hauling sectors remain promising, factors such as unit utilization, contract continuity, commodity prices, and debtor cash flow require continued attention.

- **Forest and Land Fires: Risks and New Sources of Demand for Heavy Equipment**

Forest and land fires in various parts of Kalimantan emerged as a major national concern in 2026. According to an environmental policy expert from Universitas Muhammadiyah Yogyakarta (UMY), a "very strong" El Niño event–which reduced rainfall and extended the dry season–increased the vulnerability of vegetation and peatlands to fire. However, climatic factors were not the direct source of ignition; human activities–such as land clearing for plantations or farming using burning methods, as well as other actions that left behind ignition sources–served as primary triggers. Hot conditions and strong winds further accelerated the spread of fire, heightening the risk of fires during the dry period, particularly between August and September 2026. These conditions not only impacted the environment and operational activities but also increased the risk of damage to assets, including the heavy machinery deployed to assist in firefighting efforts.

This risk was evident in several incidents across Central Kalimantan. On August 10, 2026, an excavator owned by the East Kotawaringin Regency Government caught fire when a blaze struck the North Mentaya Hilir area. Subsequently, on August 29, 2026, a piece of heavy machinery was reported to have caught fire at KM 11 Raja Seberang, in the South Arut District of West Kotawaringin Regency. Then, on September 20, 2026, a grader belonging to a palm oil plantation company (name undisclosed) in Bagendang Tengah Village, North Mentaya Hilir District, also caught fire after becoming trapped by the flames. The grader had been deployed to clear access routes and assist with firefighting operations but encountered difficulties that rendered it immobile as the fire approached the site. These incidents demonstrate that the risk of forest and land fires affects not only assets in the immediate vicinity of the blaze but also disrupts production activities, mobility, and community livelihoods, while causing broader economic and environmental losses. This situation has the potential to cause unit downtime, additional costs for repairs or asset replacement, and disruptions to the debtor's ability to conduct operational activities.



Source: https://www.detik.com/kalimantan/berita/d-8639755/alat-berat-terbakar-di-tengah-karhutla-km-11-kobar-asal-api-dipertanyakan/

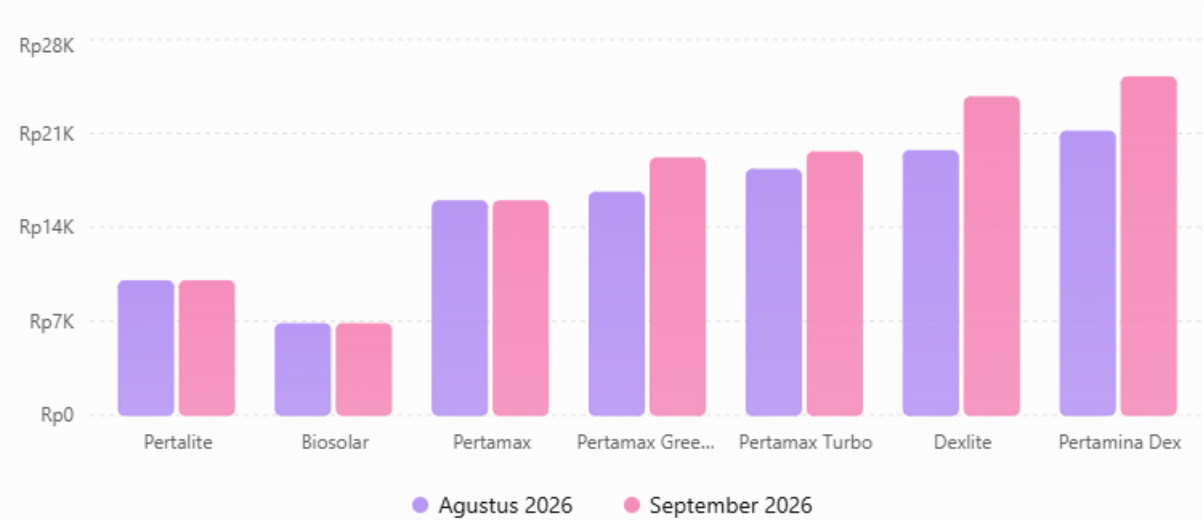
On the other hand, the management and prevention of forest and land fires offer the potential to generate new demand for heavy equipment. These units can be utilized for constructing canals, firebreaks, and access routes to fire sites, as well as for building water reservoirs and conducting land clearing without burning. The government is also encouraging the use of heavy equipment—including excavators—to support non-burning land clearing practices. Consequently, demand for heavy equipment has the potential to diversify beyond the mining and construction sectors to include plantations, land clearing operations, and fire mitigation activities.

- **Rising Fuel Prices Could Drive Up Operating Costs**

In September 2026, the price of Biosolar remained at Rp6,800 per liter, whereas non-subsidized fuel prices increased—specifically, Dexlite rose by 20.3% to Rp23,700 per liter and Pertamina Dex by 19.1% to Rp25,200 per liter. These increases could raise operating costs for borrowers in the trucking, hauling, and heavy equipment rental sectors, particularly for those using non-subsidized fuel. The impact on margins warrants attention if the rise in fuel costs cannot be offset by rate adjustments or operational efficiencies.

Here is a comparison of Pertamina fuel prices for August versus September 2026.

Gas Station Name	Product Name	Type	Price / Liter (In IDR)		Remark
			August 2026	September 2026	
Pertamina	Biosolar	Diesel	6.800	6.800	Pertamina
	Pertalite	RON 90	10.000	10.000	Tetap
	Pertamax	RON 92	15.950	15.950	Tetap
	Pertamax Green 95	RON 95	16.600	19.150	Naik +15.4%
	Pertamax Turbo	RON 98	18.300	19.600	Naik +7.1%
	Dexlite	Diesel, CN 51	19.700	23.700	Naik +20.3%
	Pertamina Dex	Diesel, CN 53	21.150	25.200	Naik +19.1%



Source : https://www.cnbcindonesia.com/news/20260921071808-4-769383/resmi-harga-bbm-di-spbu-pertamina-bp-shell-berlaku-21-september-2026

 **Nadya Citra Multasya** (Credit Analyst)	From a lending perspective, the heavy equipment industry retains growth potential for the second half of 2026, even though the recovery in demand remains uneven and operational risks require ongoing attention. Key factors in credit assessment include contract sustainability, unit utilization, reliance on the mining and hauling sectors, sensitivity to fuel price increases, operational location risks, and cash flow capacity to meet financing obligations. Borrowers with robust contracts, utilization rates, and cash flows present more manageable risk profiles, whereas those with low utilization or high exposure to operational risks require stricter mitigation and monitoring measures.

B. Mining Industry: Strengthening Forest and Land Fire Control and Increasing Mining Company Responsibility

The issue of forest and land fires became a primary government concern during August and September 2026, particularly in the Sumatra and Kalimantan regions. The government increasingly expanded the involvement of companies–including mining firms–in efforts regarding prevention, mitigation, firefighting, and post-fire recovery.

On August 23, 2026, the government urged palm oil and mining companies to assist in addressing these fires. This policy was subsequently reinforced by Presidential Instruction (Inpres) Number 11 of 2026, signed on August 31, 2026. Under this policy, holders of Mining Business Licenses (IUP) and Special Mining Business Licenses (IUPK) are required to maintain fire prevention management systems and emergency response facilities, including the availability of excavators.

Concurrently, the government stepped up oversight and law enforcement against companies whose concession areas were affected by the fires. The Ministry of Forestry imposed administrative sanctions on six companies with a combined burned area of 1,511.55 hectares, while the Ministry of Environment (KLH) announced that it had initiated legal proceedings against 19 companies involving a total burned area of 11,046.69 hectares.

- **The Government Encourages the Involvement of Mining Companies**

  The government is calling on the business sector, including mining companies, to play an active role in addressing forest and land fires. Companies are expected not only to safeguard their operational areas but also to support fire management efforts by utilizing their own resources, facilities, and heavy equipment. This involvement reflects a shift in the government's approach–moving away from a strategy that previously relied heavily on government agencies and officials toward a collaborative model involving the government, the community, and the business sector.

  For the mining sector, this underscores the critical importance of corporate preparedness regarding fire prevention and control systems; the availability of heavy equipment and emergency response facilities; patrols and monitoring of operational areas; coordination with the government and local communities; and the rehabilitation of fire-affected areas.

- **Obligation to Provide Excavators**

  A significant development is the issuance of Presidential Instruction (Inpres) Number 11 of 2026 regarding the strengthening of enforcement against land clearing via burning and the control of forest and land fires. For the mining sector, holders of Mining Business Licenses (IUP) and Special Mining Business Licenses (IUPK) are directed to establish fire prevention management systems and maintain emergency response facilities, including the provision of excavators. Excavators can be utilized to support both firefighting and prevention efforts–such as digging canals under specific conditions to help regulate water flow in affected areas. The government also encourages joint patrols and monitoring with communities surrounding operational areas.

  Implications for mining companies: investment requirements and operational costs related to forest and land fire preparedness are likely to rise, particularly for companies operating in areas with a high risk of fire.

➢ Risks for Mining Companies

Types of Risk	Potential Impact on Mining Companies
Regulatory Risk	Increased company obligations regarding the implementation of forest and land fire prevention and control systems, including the provision of emergency response facilities and equipment, the readiness of heavy machinery, patrolling, and the monitoring of operational areas.
Operational Risk	Potential disruption to mining operations due to fires within or around the concession area, including the possibility of temporarily suspending certain activities to facilitate firefighting and mitigation efforts.
Legal Risk	The company could potentially face administrative sanctions, civil lawsuits, or criminal proceedings if violations of statutory regulations regarding the prevention and control of forest and land fires are discovered.
Financial Risk	Rising operational costs and corporate expenditures for the provision and maintenance of heavy equipment, patrols, monitoring systems, emergency response personnel, and firefighting, as well as the restoration of affected areas.
Reputational Risk	Potential reputational damage to the company if concession areas are linked to forest and land fires, which could affect relationships with regulators, local communities, investors, and business partners.
Licensing Risk	Non-compliance with obligations regarding forest and land fire control may increase the risk of sanctions being imposed on business licenses, including suspension or other administrative measures, based on the results of monitoring and applicable regulations.



Y. Aziz
(Credit Analyst)

Developments during August–September 2026 indicate that the issue of forest and land fires is increasingly linked to governance and compliance within the mining sector. The government is not only enhancing firefighting capabilities but also strengthening preventive obligations for companies and enforcing the law against alleged violations.

In light of Presidential Instruction No. 11 of 2026 and heightened oversight by the Ministry of Forestry and the Ministry of Environment and Forestry (KLH), mining companies must ensure that prevention systems, emergency response facilities, heavy equipment readiness, patrol operations, and compliance documentation are in place and functioning effectively.

C. Used Car: Economic Pressures and Forest Fires Drive Consumer Shift to Used Car Market

The issue of massive forest and land fires in 2026, exacerbated by the extreme El Niño phenomenon, has indirectly influenced the dynamics of the used car market in Indonesia. Amidst a sluggish new car market caused by declining consumer purchasing power, the environmental and macroeconomic issues triggered by these fires have given rise to various impacts and new preferences within the used vehicle market.

- The following is an analysis of the impact of the 2026 forest fire issue on the used car market:
  - **Shifts in Sales Territories and Regional Economic Pressures**
    Severe forest fires sweeping through major commodity-producing regions (such as Kalimantan and Sumatra) caused a decline in economic activity due to dense haze. Many corporations faced operational shutdowns and fines amounting to trillions of rupiah.
    The impact: Consumer purchasing power in the directly affected regions plummeted. Consequently, the used car market outside Java stagnated. Conversely, the supply of used cars from these regions tended to be diverted to more stable areas (such as Java) to maintain capital turnover for dealers.
  - **Increased Risk of Car Component Damage (Opportunities vs. Challenges)**
    Smoke from forest and land fires, containing high levels of toxic particulate matter (PM2.5), is not only hazardous to human health but also detrimental to vehicles frequently operating in affected areas.

Air and A/C Filters: Used cars originating from wildfire-affected regions are prone to having heavily soiled or rapidly deteriorating air circulation (A/C) systems and engine filters.
The Impact: Used car buyers in 2026 are becoming far more selective. Used cars with a solid maintenance history from outside the smog zones–or those that have passed engine cleanliness inspections–command a price premium compared to vehicles originating from wildfire "red zones."

- Increasing Vigilance Regarding the Safety Aspects of Used Electric Vehicles (EVs)
  Issues surrounding forest fires and rising extreme temperatures in 2026 sparked public awareness campaigns regarding general fire risks. This indirectly influenced market sentiment toward used electric vehicles.
  The result: While the market for new electric vehicles (EVs) continued to grow rapidly, the used EV market in 2026 faced steep price depreciation, with values dropping by as much as 50%. Consumer concerns regarding battery durability in extreme weather–compounded by a lack of specialized EV fire-handling facilities–led used-car buyers to favor "old stalwarts": conventional used cars (internal combustion engine or hybrid models) perceived as more reliable and easier to maintain.

- A Key Alternative Amid Weakening Purchasing Power
  Nationally, the cumulative economic impact of forest and land fires is projected to result in state losses amounting to hundreds of trillions of rupiah. Soaring inflation and rising healthcare costs are further squeezing public purchasing power.
  The result: Instead of purchasing new cars–prices for which continue to rise–consumers are opting for the used car market to meet their transportation needs. Used vehicles in the IDR 100 million to IDR 200 million price range are the most sought-after segment, as they are considered the most rational choice amidst this year's economic uncertainty.

- **Forest and Land Fire Track Record Must Be a Factor in Corporate Credit Assessment**

The Financial Services Authority (OJK) and the banking and non-banking industries are urged to strengthen oversight of corporate financing in the plantation and forestry sectors, where there is a risk of forest and land fires. A company's environmental track record–including recurring fire incidents within its concession areas–must be a key factor in credit risk assessments and financing decisions.



Banking prudential principles must not be limited to assessing a debtor's financial capacity; environmental risks capable of causing economic, legal, and reputational losses must also be adequately factored in. Consequently, the OJK needs to ensure that banks and financing institutions conduct in-depth environmental assessments before extending or renewing credit to companies in the plantation and forestry sectors.

The OJK is also urged to disclose aggregate data on banking financing for the plantation and forestry sectors, including the mitigation measures implemented for high-risk debtors. Transparency is deemed necessary so that the public can gauge the extent to which the financial services sector contributes to preventing environmental degradation. However, the OJK cautioned that stricter measures against problematic companies should not inadvertently restrict access to financing for smallholders and local communities. The government, in collaboration with the OJK and the banking sector, needs to expand the availability of affordable credit for farmers who adopt no-burn land clearing

methods, engage in social forestry and land restoration, and undertake environmentally friendly business activities.

The OJK holds the view that sustainable financing policies must create tangible incentives and disincentives. Responsible business operators should gain better access to financing, whereas companies that disregard environmental risks must face rigorous evaluation.

- **Used Car Market Conditions**

The used vehicle market in Indonesia faced pressure on transaction volumes during the period from January to August 2026. Adjustments to non-subsidized fuel prices influenced consumer considerations regarding vehicle purchases. While operational cost efficiency was a concern, fuel price fluctuations were not the sole driver of the shift in market performance.

JBA Indonesia, one of the largest auction houses, reported a decline in transaction volumes; just over 28,000 units were sold during the January–August 2026 period, compared to more than 39,000 units in the same period the previous year.

The automotive auction sector retains transaction potential among consumers with immediate vehicle needs, even amidst general market pressure. Unit consignment facilities remain open to facilitate transactions between vehicle owners and potential buyers. The auction model serves as a bridge to align vehicle stock availability with market demand.



Meanwhile, according to the Association of Indonesian Automotive Industries (GAIKINDO), the purchasing power of the country's middle class remains under pressure. They view this as a challenge to boosting national car sales.

Car prices rise by approximately 7% annually, whereas purchasing power increases by only 3% per year. Consequently, efforts are underway to meet the sales target of 850,000 units this year; as of August, sales figures have already reached around 500,000 units.

Used car sales remain more robust than sales of new vehicles. The used car market stands at approximately 1.6 to 1.7 million units annually, whereas new car sales have hovered around 800,000 units over the past two years. This situation needs to be reversed to optimize the growth of the national automotive industry–specifically by boosting new car sales through strengthened consumer purchasing power, accessible financing, and policies that stimulate consumer interest in new vehicles. Increasing new car sales is also crucial for sustaining production, distribution, the components industry, and employment across the automotive industry supply chain, while the used car market continues to play a role within the national vehicle ecosystem.



Riko Sanjaya
(Credit Analyst)

Adjustments to non-subsidized fuel prices, combined with macroeconomic pressures stemming from extreme forest and land fires in 2026, dealt a clear double blow to the national automotive market. A widening economic gap has emerged due to the disparity between the 7% annual rise in new car prices and the mere 3% growth in public purchasing power. The impact is palpable, ranging from sluggish auction volumes at institutions like JBA Indonesia to weakened used-car market activity outside Java–particularly in Sumatra and Kalimantan, where economies have stagnated due to haze exposure. These conditions demonstrate that regional economic factors and environmental issues can significantly dampen vehicle transaction activity.

Nevertheless, this price disparity has reinforced the used-car market's position as a cornerstone of public mobility amidst purchasing power constraints. With used-car sales volumes reaching 1.6 to 1.7 million units annually–nearly double that of new cars–it is evident that consumers are adopting a far more realistic approach.

	For the middle class, the used-vehicle segment priced between IDR 100 million and IDR 200 million represents the most rational choice. Meanwhile, the auction sector and vehicle consignment facilities continue to play a vital role, bridging the gap by maintaining stock availability and capital circulation while national new-car sales slow down. Ultimately, these dynamics have fostered new consumer preferences, compelling automotive industry players to adapt. The high risk of damage to filters and air conditioning systems in vehicles from fire-affected regions has made buyers much more selective, leading them to rely heavily on maintenance history inspections. At the same time, concerns regarding extreme weather risks and sharp depreciation in used electric vehicles (EVs) mean that consumers continue to prioritize conventional or hybrid cars. To ensure the optimal recovery of the national automotive industry, the government and industry players must urgently strengthen public purchasing power and introduce new, more affordable financing schemes, without overlooking the role of the used car market as an integral part of the national vehicle ecosystem.

Source :

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