Monthly Sector Report (Apr ’26)

In the 1st quarter of 2026, we faced complex variables, including an energy crisis caused by the U.S.-Iran conflict and delays in RKAB (Production Plan) approvals. As we enter Q2, while war risks remain, the market is becoming desensitized to these issues, and volatility is stabilizing. Below is a summary of the major issues and analyst opinions regarding the shifting global mood.

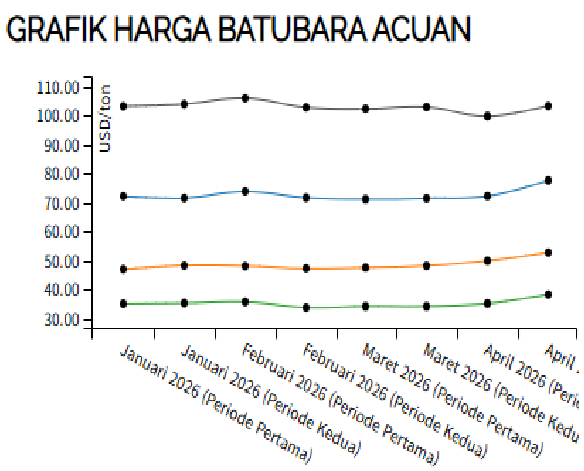
1. Mining: Normalizing Quotas and Strong Prices

The RKAB approval process, which was the biggest obstacle in Q1, is nearing completion, leading to a sharp rise in operational rates.

- RKAB Approval Status:
  As of mid-April, the Ministry of Energy and Mineral Resources (ESDM) has completed approximately 90% of the 2026 RKAB approvals for coal and nickel companies. Since companies rejected more than twice will face shutdowns, we do not plan to start new projects with mining firms. However, we must verify the RKAB status of active project sites.

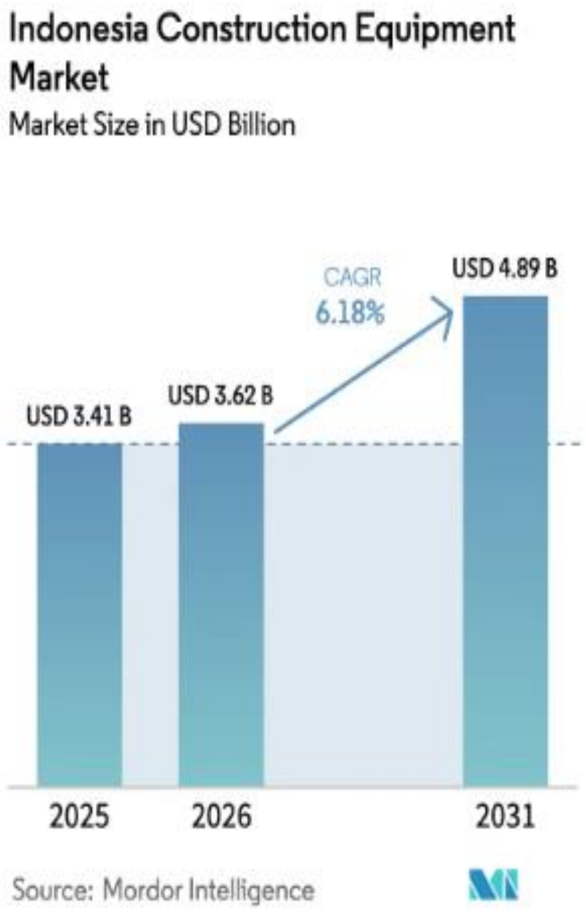
- Production and Price:
  Coal production for this year is expected to be managed at 600 million tons (down from 790 million tons last year). Conversely, high-calorie coal (HBA) prices rose 3.5% in late April to **US$103.43/ton**. While futures prices were volatile during the outbreak of the war, they are now stabilizing as "war fatigue" sets in.

- Operational Issues:
  With production quotas approved, mining activity delayed in Q1 will be concentrated in Q2. This is expected to drive up the demand for short-term working capital among corporations.



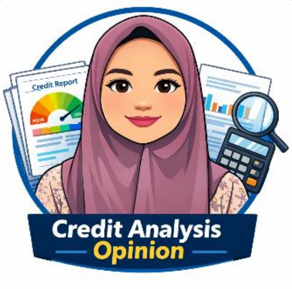
2. Heavy Equipment: Sector Diversification and Replacement Demand

The normalization of mining production leads directly to increased equipment running hours and new replacement demand. Indonesia holds **39.53%** of the total ASEAN heavy equipment market, with steady growth projected through 2030.



- Market Demand:
  Demand for equipment financing is recovering. Specifically, infrastructure projects related to the **New Capital City (IKN)** are strongly supporting the growth of the construction equipment market (35–40% market share).

- Risk Factors:
  Volatility in the Rupiah (IDR) may increase the price of imported equipment, affecting buyers' decisions. Credit limit management based on exchange rate trends is necessary. High-end brands maintain strong resale value, so aggressive marketing through dealers is recommended.

 Nadya Citra Multasya (Credit Analyst)	The mining industry is vital to Indonesia's economy and the new capital (IKN) project. While individual mining operators face risks like license revocation, the heavy equipment sector is safer due to its strong collateral value. Currently, the strong USD increases the cost of imported equipment, creating an operational burden for domestic contractors. However, this is actually a positive factor for export-driven mining companies that earn in USD. Furthermore, as new equipment prices surge due to the high exchange rate, the demand for used equipment will naturally increase. This trend will protect the resale value as collateral side. Therefore, our strategy will remain focused on the versatility and liquidity of the equipment, ensuring it can be easily sold or redeployed if defaults occur.

3. Used Car Market

The used car market continues to grow as new car prices remain high, though the rise of Electric Vehicles (EVs) introduces new variables.

- Market Trends:
  The used car finance market is expected to reach **US$8.72 billion** by the end of 2026. Vehicles priced below **Rp 150 million** (approx. $11,000 USD) are the primary drivers.

- EV & Hybrid Residual Value:
  Chinese brands like the **BYD Atto 1** are leading EV sales. However, while internal combustion engine (ICE) cars depreciate by 10–15% annually, **EVs depreciate by 35–60% per year**. Therefore, conservative LTV (Loan-to-Value) settings for used EVs are essential.

- Consumer Preference:
  Buyers prioritize maintenance ease and economy over innovation, leading to a rise in the popularity of Certified Pre-Owned (CPO) programs.

Status of New Vehicle Sales in Q1 2026 (Source: Gaikindo)

Rank	Brand	Sales (Units)	Share (%)	Remarks
1	Toyota	64,416	30.40%	Maintains dominant No. 1 position
2	Daihatsu	34,653	16.40%	Strong presence in the budget/low-cost segment
3	Suzuki	19,026	9.00%	Dominant in commercial vehicles (e.g., Carry Truck)
4	Mitsubishi	18,469	8.70%	Focused on the flagship Xpander series
5	Honda	13,001	6.10%	Facing intense competition from BYD
6	BYD	10,265	4.80%	Rapid growth through new market entry
7	Jaecoo	7,927	3.70%	Chery's premium SUV brand
8	Hyundai	4,824	2.30%	Struggling due to fierce EV market competition

Latest Electric Vehicle Tax Policy: Key Points to Note

An important point to note regarding electric vehicles is the government's new regulation on motor vehicle tax (PKB). The Ministry of Home Affairs has issued a new regulation through Ministerial Regulation No. 11 of 2026, effective April 2026. This regulation officially replaces the previous Ministerial Regulation No. 8 of 2024.

One of the key provisions in the previous Ministerial Regulation No. 8 of 2024, Article 10, stated that battery-powered electric vehicles (KBL) were subject to a 0% PKB rate—meaning they were tax-exempt. However, the new regulation classifies battery-powered electric vehicles as taxable entities subject to both PKB and BBNKB. This latest regulation means electric vehicles are no longer automatically tax-exempt. As for the provisions regarding tax exemptions or the extent of tax reductions, these depend on the regulations issued by each provincial government.

EV sales are expected to surge further following the increase in non-subsidized fuel prices. This is compounded by the narrowing price gap between EVs and internal combustion engine (ICE) vehicles. Another factor is that EVs now have a longer range, reaching up to 600 kilometers (km) on a full charge. This can alleviate the range anxiety typically experienced by EV users.

EVs Rise, ICE Vehicles Fall

According to data from the Indonesian Automotive Industry Association (Gaikindo), the share of ICE vehicles dropped from 99.6 percent in 2021 to 78.2 percent in 2025. Conversely, the share of battery electric vehicles (BEVs) soared from 0.1% to 12.9% by the end of 2025. As of March 2026, the BEV share rose further to 15.6%, while the ICE share dropped to 75%.

Here are the key points as of April 2026:

1. EV Growth (Growth & Adoption)
    - **Rapid Growth:** Sales of battery electric vehicles (BEVs) in Indonesia have surged dramatically, becoming a new driving force for the national automotive industry.
    - **Market Share:** The BEV market share has increased to 15.6% as of March 2026.
    - **Driving Factors:** Supported by developing infrastructure, a wide range of models (especially Chinese brands), and increasingly competitive prices.
    - **Efficiency:** EVs offer significantly higher energy efficiency (over 85%) compared to ICE vehicles (20–30%).

2. ICE Decrease (Diminishing Dominance)
    - **Market Share Decline:** The market share of ICE vehicles dropped from 99.6% in 2021 to approximately 75% as of March 2026.
    - **Consumer Shift:** Consumers are beginning to abandon conventional cars and switch to electrification technologies.
    - **Technology:** ICE vehicles are considered less efficient and have higher maintenance costs compared to EVs, which have fewer components.

3. Additional Notes & Challenges (2025–2026):
    - **Changing Incentives:** The era of Motor Vehicle Tax (PKB) incentives for electric vehicles officially ends on April 1, 2026.
    - **Concerns:** Despite the increase, there are concerns regarding declining EV resale values and charging infrastructure that is not yet fully widespread.
    - **Hybrid Alternative:** Before the full transition to electric vehicles, hybrid cars were a popular alternative during the transition period.

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The electric vehicle market has actually shown a significant growth trend, but policy direction began to shift in 2026 with the implementation of new regulations that eliminated the tax-exempt status of electric vehicles and made them subject to taxation like conventional vehicles, although the tax rate can still be adjusted by local governments. This change marks a new phase: from the "stimulus" stage to the "normalization" of the EV market. Given our strict focus on used cars, the sharp depreciation of EVs poses a significant portfolio risk.

Therefore, our core strategy must remain conservative, prioritizing the top five Japanese brands that have proven to have stable residual values and consistent demand in both the new and used car markets.

However, remaining entirely closed off to the EV transition poses a long-term structural risk. We should proactively prepare a controlled entry into the used EV market through a conditional hedging strategy. This includes implementing stricter, downward-adjusted LTV (Loan-to-Value) limits for EVs and exploring strategic partnerships with specialized CPO (Certified Pre-Owned) dealers equipped with reliable battery diagnostic technology to effectively mitigate underlying asset risks.

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