



NANMEI KENBUNROKU

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Connecting Indonesia's growth companies with Japan —
through M&A and strategic partnerships.

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Greetings

To Our Readers

I'm Yoichi Harimaya of PT. Japan Bridge Asia. This letter goes out to people whose business cards I've collected along the way, and to colleagues I've had the pleasure of working with. I send it at my own discretion, so I hope you'll forgive the intrusion.

Nanmei is the great southern sea from Zhuangzi — the one the giant bird Peng sets out to cross. I started this letter to send back what I see on the ground in Indonesia, along with the larger currents running underneath it.

I closed our last issue with the line, "The world hasn't changed its view yet." Two weeks later, it has — and not in Indonesia's favor.

On October 16, the Jakarta stock index fell 11.57% in a single day, its steepest drop since the 1998 Asian financial crisis. We have changed this issue's plan to answer three questions: **why the market fell, how the rest of the world rates Indonesia, and what comes next.**

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THIS ISSUE

What fell was not the economy, but trust in the market's rules.

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CHAPTER 01

The Worst Day Since 1998

On the morning of Friday, October 16, the index dropped 8% within minutes of the open.

The 8% drop triggered a 30-minute trading halt on the Indonesia Stock Exchange (IDX). Selling continued after trading resumed, and the index closed at 5,185.11 — down 11.57%, the largest one-day fall since January 1998. For the week, it lost 14.91%.

Market capitalization shrank from about Rp10,701 trillion to about Rp9,157 trillion in one week. The rupiah weakened past 18,070 to the dollar, close to its all-time low of 18,190.

–11.57%

Drop on October 16 (largest since January 1998)

–14.91%

Weekly decline

About 40%

Decline since the start of the year (as reported)

11.57% in one day.

The worst in a quarter century.

Why the Market Fell

The trigger was an announcement from MSCI, the U.S. index provider.

MSCI builds the indexes that funds and pension plans around the world use to decide which countries' stocks to hold, and how much. On October 15, MSCI announced a consultation on moving Indonesia out of "Emerging Markets" and into "Standalone Market" status.

As a standalone market, Indonesia would drop out of MSCI's major global indexes, and funds that track those indexes would have to sell. UBS estimates about \$4 billion in passive outflows, and Goldman Sachs up to \$13 billion (as reported).

MSCI's reasons had nothing to do with the economy or corporate earnings. **It cited opaque shareholding structures, ownership concentrated in a few hands, and suspected coordinated trading** — along with a lack of visible enforcement.

January	June	October
MSCI first raises transparency concerns	MSCI postpones its decision and freezes index changes	MSCI proposes Standalone Market status

The timing also caught the market off guard. The result had been expected at MSCI's regular review on November 12 — about a month later. Senior officials had met MSCI executives in Bangkok roughly a week before the announcement, and the issue reportedly never came up. Coordinating Minister for Economic Affairs Airlangga Hartarto asked, "Why didn't they raise this when we met in Thailand?"

The question was not the economy.

It was the market's rules.

Beyond MSCI: How Others See Indonesia

The world does not speak with one voice. The verdict depends on what is being measured.

FTSE Russell, another major index provider, reached a different conclusion. On October 7, it kept Indonesia in its Emerging Market category and did not add it to its watch list for possible reclassification. It said it is monitoring the reforms led by the OJK and the exchange — wider shareholder disclosure, more detailed investor classification, a minimum free float, and stronger market surveillance — and will update its assessment before its December index review.

The credit rating agencies, which measure the country's ability to repay its debt, **have kept their ratings unchanged but are split on the outlook.**

Institution	Decision (timing)	Key point
FTSE Russell	Emerging Market status kept (Oct)	Not on watch list; reassessment before December
Moody's	Baa2 affirmed, outlook negative (Feb)	Less predictable policymaking; concerns over Danantara
Fitch	Outlook cut to negative (Mar)	Lowered from stable
S&P	BBB affirmed, outlook stable (Jul)	Fiscal discipline across administrations; 3% deficit cap
Global brokers	Ratings cut in January	Goldman Sachs and UBS downgraded Indonesian equities
Real economy	5.29% growth in Q2	Statistics Indonesia (BPS); IMF sees about 5% for 2026

KeptFTSE Russell's decision
(October 7)**2**Rating agencies with a
negative outlook**5.29%**

Q2 economic growth

Side by side, the dividing line is clear: **tough on market governance, cautious on public finances, positive on economic growth.** Last week's crash was the harshest of these three verdicts — the one on market governance — showing up directly in share prices.

Tough on the market.

Positive on the economy.

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CHAPTER 04

The Next Eight Months — and the Real Economy

This is not a final decision.

MSCI's consultation runs until April 30, 2027, with a final decision due by June 30, 2027 at the latest. MSCI did acknowledge some reforms, such as disclosure of shareholders above 1% and a higher minimum free float. What it found missing was a track record — proof that the rules are followed and violations are punished.

The Financial Services Authority (OJK) said it respects MSCI's view and will continue its reforms, and it has disclosed fines for stock-price manipulation. In the near term, watch Bank Indonesia's policy meeting scheduled for October 21, the rupiah, and FTSE Russell's reassessment ahead of December.

Scenario	Outlook
Reforms show a track record	Indonesia may remain an Emerging Market
Track record falls short	Move to Standalone Market in mid-2027
Near term (weeks to months)	Index-related selling may come early; volatility likely

Stocks are down about 40%, but the population, its youth, and its spending have not changed. Overseas fund managers have said the move "does not reflect the health of most listed companies or the economy," calling it "a wake-up call for Indonesia." **A gap has opened between share prices and what companies are actually worth.**

CONCLUSION

Why did the market fall? — Because trust in the market's rules was called into question.

How does the world see Indonesia? — Tough on the market, positive on the economy.

What comes next? — Whether Indonesia can prove its reforms with results by June 2027.

This newsletter is for informational purposes only and does not constitute investment advice or a solicitation.

Share prices fell, and so did trust. The country's strength is still here.

Two weeks ago, I wrote that "the world hasn't changed its view yet." This time, the world's view did turn harsher. But it was not aimed at the energy of the streets or the lives of the people. Set the rules, and keep them — that is the task now facing this country. From here, in my ninth year, I will keep watching how it responds.

Our next issue (early November) will cover Bank Indonesia's policy decision and the latest on the MSCI issue.

More in two weeks, carried on the southern wind.



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Now in his ninth year based in Indonesia, he advises on strategic M&A and partnerships that connect Indonesia's growth companies with Japanese capital and partners, alongside market-entry and compliance support. Hands-on experience in resources, logistics, and construction, and relationships built on the ground, underpin the work.

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