Macro Weekly Notes

December Loan Growth Spike: Understanding the Year-End Acceleration

Key Takeaways

- December loan growth **re-accelerated sharply** relative to November, reflecting a **year-end, execution-driven spike** rather than a **broad-based credit inflection**.
- Sectoral drivers **were concentrated i**n **construction and agriculture**, consistent with **late-year execution dynamics** rather than a synchronized upswing.
- **Government project execution** and **late-year FDI realization** jointly lifted **project-related loan drawdowns** toward year-end.
- **Liquidity conditions were supportive**, with **stronger deposit growth** enabling **faster loan expansion** without **material balance-sheet tightening**.
- Confirmation of a **durable re-acceleration** depends on whether **project-linked momentum persists into 1Q26** once **year-end effects fade**.

December Loan Growth Accelerates: A Clear Break from the Prior Trend

Bank credit growth picked up sharply in December, rising to **9.32% YoY** (Nov: 7.95% YoY). The acceleration was mainly driven by a stronger expansion in **investment loans** and **working-capital loans**, which climbed to **20.50% YoY** and **4.42% YoY**, respectively (Nov: **17.77% YoY** and **2.45% YoY**) (see Figure 1). In contrast, **consumer loan growth softened** to **6.44% YoY** (Nov: **7.24% YoY**), indicating that the rebound was **corporate-led and closely tied to project execution**, rather than a recovery in household demand.

The stronger credit momentum was supported by firmer funding conditions, as **third-party deposit growth accelerated** to **10.44% YoY** (Nov: 8.54% YoY), helping sustain the year-end credit push (see Figure 2). Consistent with this, the **loan-to-deposit ratio (LDR)** inched up to **89.23%** (Nov: 88.91%), signalling slightly tighter intermediation conditions while remaining within a manageable range. This suggests the December acceleration was **funding-supported rather than balance-sheet forced**.

Liquidity conditions also strengthened toward year-end. **M2 money supply growth** increased to **9.59% YoY** in December 2025 (Nov: **8.30% YoY**), alongside faster growth in **M1** and **currency in circulation (M0)**, which rose to **14.01% YoY** and **14.29% YoY**, respectively (Nov: 11.44% YoY and 14.61% YoY). This liquidity backdrop reinforced the improvement in deposit growth and **set the stage for a project-execution-driven spike in loan growth** entering year-end.

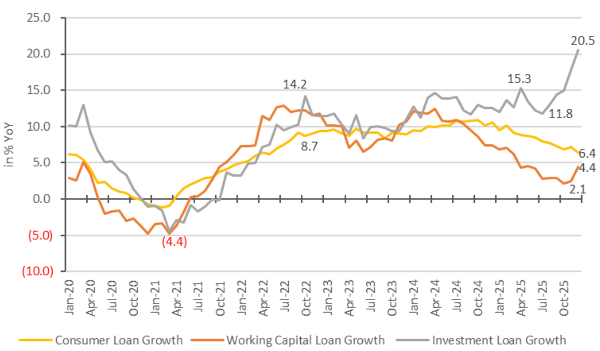

Figure 1: Consumer, Working Capital, Investment (Loan Growth)

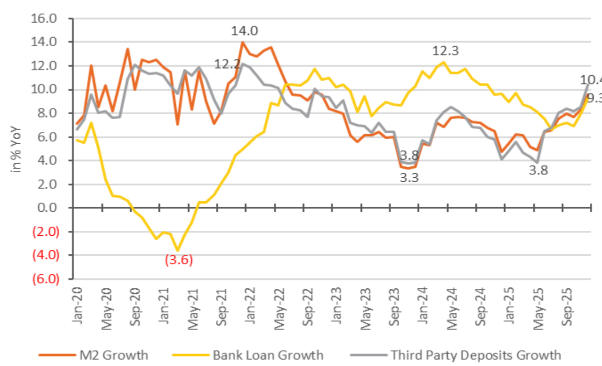

Figure 2: Growth of M2, Loan, and Third Party Deposits

Sectoral Drivers: Construction and Agriculture-Led Lending

The December re-acceleration was **increasingly investment-led**, with momentum concentrated in **project- and capex-intensive sectors**. Within investment loans, **construction surged to 31.72% YoY** (Nov: 14.58% YoY), pointing to a sharp pickup in year-end project execution and disbursement. Investment lending to **agriculture, forestry, and fisheries** also strengthened materially to **27.77% YoY** (Nov: 17.43% YoY), while **manufacturing investment lending** remained resilient at **18.91% YoY** (Nov: **18.06% YoY**). Working-capital lending displayed a similar project-heavy pattern. **Construction working-capital loans rebounded strongly to 25.00% YoY** (Nov: 5.25% YoY), consistent with higher short-term funding needs among contractors and supply-chain participants as operational workloads **increased toward year-end.** Outside construction, trends were mixed, with **manufacturing working-capital growth moderating** to **1.15% YoY** (Nov: **4.26% YoY**) and **transportation and communication lending easing** to **7.22% YoY** (Nov: 8.03% YoY). Overall, the November–December shift confirms that the late-year credit impulse was **narrowly concentrated in project-linked borrowing**, rather than reflecting a generalized upswing across loan categories.

Main Drivers: Year-End Government Project Execution and FDI Realization

The primary driver of December's loan growth spike was **year-end government project execution**. Government spending accelerated sharply +69.29% or to IDR 539.60tn in December (Nov: IDR 318.80tn) marking one of the strongest monthly disbursements of the year (see Figure 3). This surge likely **pulled forward loan drawdowns** across contractors, subcontractors, and project-linked suppliers, particularly through **construction-related investment and working-capital loans**, as firms financed procurement, payroll, and operational execution ahead of reimbursement.

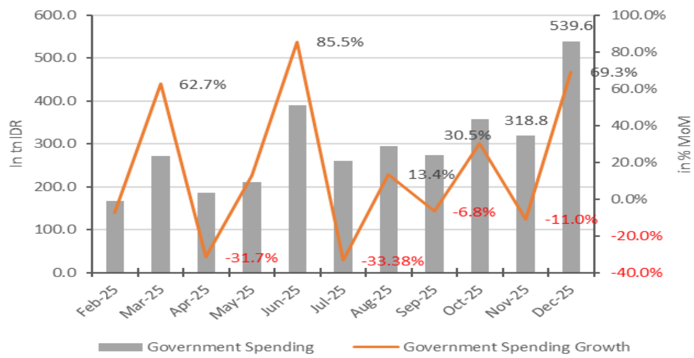

Figure 3: Indonesia's 2025 Government Spending

In parallel, **late-year FDI realization strengthened materially**, providing an additional boost to **investment-loan drawdowns**. After contracting earlier in the year, FDI realization rose +20.90% QoQ to **IDR 256.30tn in 4Q25** (3Q25: IDR 212.00tn) (see Figure 5), aligning with the execution phase of investment projects and reinforcing the strength of investment-related lending into year-end.

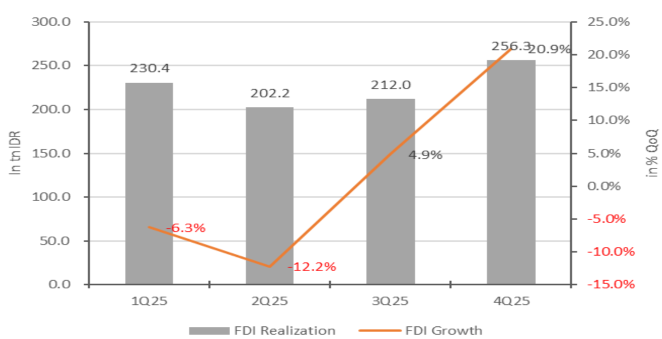

Figure 4: Indonesia's 2025 FDI Realization

Supportive liquidity conditions (See Figure-5) allowed these forces to translate into faster loan growth without generating funding stress. Despite the acceleration, **system-wide LDR remained below 90.00%**, indicating that the year-end credit expansion was **absorbed comfortably by the banking system**.

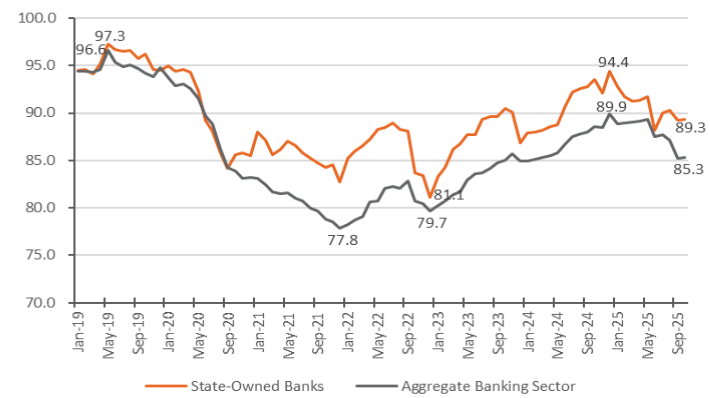

Figure 5: Loan-to-Deposit Ratio

December's loan growth acceleration reflects a **timing-driven convergence of government project execution and late-year FDI drawdowns**, supported by ample liquidity conditions. From a market perspective, the print **reduces near-term downside risk to credit expectations**, but does not yet confirm a durable re-acceleration in the credit cycle. **Sustained momentum into 1Q26**, particularly in **construction-linked investment and working-capital lending**, will be the key test once year-end effects fade

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