

MSCI GLOBAL MARKET ACCESSIBILITY REVIEW – JUNE 2026

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INDONESIA STAYS AN EMERGING MARKET WITH ONE CONCERNING HIGHLIGHT: INFORMATION FLOW

MSCI's latest review brings both good and bad news for Indonesia. **The bad news** is that MSCI officially downgraded Indonesia's Information Flow assessment and highlighted several issues that have long been concerns among foreign investors. **The good news** is that Indonesia's Emerging Market status remains intact. More importantly, the report provides valuable insight into why foreign investors may continue to remain cautious toward Indonesia despite increasingly attractive valuations.

1. MSCI Officially Downgraded Indonesia's Information Flow Assessment

The most significant change in this year's review was:

- Information Flow: "+" → "-"

MSCI cited several key concerns:

- Limited transparency of shareholding structures.
- Market and company information is not always readily available in English.
- Concerns regarding the quality of free float and investability of certain Indonesian stocks.
- Evidence of "coordinated trading behavior that undermines proper price formation."

The final point deserves particular attention. MSCI is no longer focusing solely on disclosure standards but is also raising concerns about the integrity of the price discovery process itself. For an institution that typically uses very measured language, the reference to coordinated trading behavior suggests growing scrutiny over market transparency, free float quality, and overall market integrity.

2. Indonesia's Emerging Market Status Remains Relatively Secure

Despite the downgrade, Indonesia continues to score well across most Market Accessibility criteria:

- Openness to Foreign Ownership = relatively favorable
- Capital Flow Restrictions = ++
- Investor Registration & Account Setup = ++
- Market Regulation = ++
- Trading Infrastructure = ++
- Availability of Investment Instruments = ++

In other words, Indonesia's challenges are currently concentrated in:

- Governance
- Transparency
- Information Flow
- Quality of Price Discovery

Rather than:

- Market size
- Market liquidity
- Foreign investor access
- Trading infrastructure

Historically, a downgrade from Emerging Market to Frontier Market typically requires far broader and more systemic issues than a decline in a single accessibility criterion.

3. Is Indonesia at Risk of Falling to Frontier Market Status?

In our view, the probability remains relatively low.

MSCI classifications are primarily determined by three pillars:

1. Economic Development
2. Size & Liquidity
3. Market Accessibility

Indonesia continues to comfortably meet the Size & Liquidity requirements, with a market capitalization and trading turnover significantly larger than most Frontier Markets. As such, a downgrade in Information Flow alone is unlikely to trigger a market reclassification.

4. The More Realistic Impact: Foreign Investors May Remain Underweight

The bigger risk from this report is not a classification downgrade, but a higher risk premium being assigned to Indonesia.

MSCI's findings provide additional justification for global investors to argue that:

"Indonesia may be cheap, but transparency and the quality of price discovery remain concerns."

This narrative is consistent with recent market developments:

- Foreign investors have recorded nearly Rp80 trillion of net selling year-to-date.
- MSCI specifically highlighted free float transparency concerns.

- Questions continue to emerge regarding ultimate controlling shareholders in certain listed companies.
- Some stock price movements are increasingly viewed as being disconnected from fundamentals.

Rather than creating a new narrative, MSCI's report reinforces concerns that have already been circulating within the global investment community over the past several months.

KIWOOM INSIGHT :

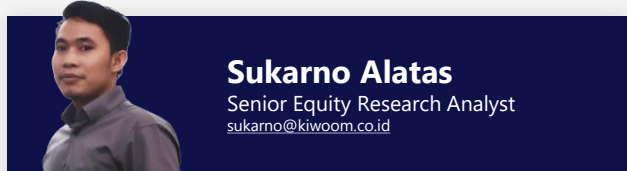
In our view, investors should focus less on the possibility of Indonesia losing its Emerging Market status and more on what MSCI's downgrade actually signals.

Key takeaways:

- MSCI downgraded Indonesia's Information Flow assessment from "+" to "-".
- The downgrade was linked to concerns over ownership transparency, free float quality, and coordinated trading behavior.
- Indonesia's Emerging Market classification remains relatively secure for now.
- However, the report serves as a warning that market governance and price discovery quality are receiving greater scrutiny from global investors.

The key risk is not a loss of Emerging Market status, but the possibility that Indonesia's valuation discount persists for longer. *Until meaningful improvements are seen in transparency, free float quality, and market integrity, foreign investors may continue to maintain an underweight stance toward Indonesia.*

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