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ECONOMIC AND POLITICAL OVERVIEW

ECONOMIC OVERVIEW

Indonesia is seen as a future economic giant. It is the largest economy in Southeast Asia and the world's seventh by purchasing power parity (IMF). In 2023, the real GDP growth closely approached the approximately 5% average annual rate attained since 2000. By the end of the third quarter, the manufacturing sector sustained its expansion, albeit at a slightly moderated yet robust pace, while the hotel occupancy rate from January to July surpassed pre-pandemic levels. The country is anticipated to sustain rapid and stable growth throughout the projection period. Improved labour market conditions, reduced inflation rates, and enhanced investor sentiment will bolster both consumption and investment, counterbalancing the challenges posed by a subdued global trade environment. Moreover, the tourism sector is expected to witness ongoing recovery, with increasing arrivals and average expenditures contributing positively to economic dynamics. For 2024 and 2025, the OECD forecasts a growth rate of 4.9% and 5.2% of GDP, respectively.

After experiencing a widening of the budget deficit during the pandemic, authorities have intensified fiscal consolidation efforts since 2022. The IMF estimated the government's budget deficit at 2.2% in 2023; while the 2024 budget aims for a deficit of 2.3% of GDP, with a commitment to maintaining a neutral fiscal stance in the foreseeable future. Public debt has shown a significant improvement since the Asian Financial Crisis in 1998 (it reached up to 150% of GDP), and stood at 39% of GDP as of 2023. The IMF expects the debt ratio to further decrease to 38.2% by 2025, although still above the 2019 level of 30.6%. The impact of Bank Indonesia's previous six-step increase of the policy rate is becoming more evident, as inflation (at 3.6% in 2023) now aligns within the target range (3.0% consumer price inflation with a $\pm 1\%$ corridor). Nevertheless, the Rupiah's depreciation amid rising global uncertainty prompted the central bank to implement another policy rate hike in October. Given current assumptions in commodities markets and barring escalation of global tensions, Bank Indonesia is poised to execute the first rate cut around mid-2024. The IMF expects the inflation rate to hover around 2.5% over the forecast horizon.

The number of unemployed persons has fallen below 8 million and the jobless rate stood at 5.3% in 2023 with a stable outlook for the near future. Indonesia has achieved enormous gains in poverty reduction, cutting the poverty rate by more than half since 1999, to approximately 9.5% of the population in 2022. While the average GDP per person (PPP) was estimated at USD 15,834 in 2023 by the IMF, the country has still one of the fastest-rising inequality rates in the East Asia region according to World Bank.

Main Indicators	2022	2023 (E)	2024 (E)	2025 (E)	2026 (E)
GDP <i>(billions USD)</i>	1,318.81	1,417.39	1,542.37	1,670.63	1,805.25
GDP <i>(Constant Prices, Annual % Change)</i>	5.3	5.0	5.0	5.0	5.0
GDP per Capita <i>(USD)</i>	4,798	5,109	5,509	5,915	6,337
General Government Balance <i>(in % of GDP)</i>	-2.1	-2.2	-2.2	-2.1	-2.1
General Government Gross Debt <i>(in % of GDP)</i>	40.1	39.0	38.6	38.2	37.9

Main Indicators	2022	2023 (E)	2024 (E)	2025 (E)	2026 (E)
Inflation Rate (%)	n/a	3.6	2.5	2.5	2.5
Unemployment Rate (% of the Labour Force)	5.9	5.3	5.2	5.1	5.1
Current Account (billions USD)	12.67	-3.72	-9.83	-17.34	-21.00
Current Account (in % of GDP)	1.0	-0.3	-0.6	-1.0	-1.2

Source: IMF – World Economic Outlook Database , October 2021

Country Risk

See the country [risk analysis](#) provided by [La Coface](#).

MAIN SECTORS OF INDUSTRY

Indonesia is a market economy with abundant natural resources, a young, large and burgeoning population (279 million), a labour force of 137.2 million people in 2022, and political stability. The country changed from being an economy that was highly dependent on agriculture into a more balanced economy which is lessening its traditional dependency on primary exports. The agricultural sector contributes to 12.4% of the country's GDP and employs 29% of the active population (World Bank, latest data available). Indonesia is the second-largest natural rubber producer in the world. Other major crops include rice, sugarcane, coffee, tea, tobacco, palm oil, coconuts and spices. Besides, the country is the world's biggest nickel ore producer and has become a major exporter of stainless steel. Indonesian land area used for agriculture has been growing and is currently around 30%. This is mainly due to the establishment of large-scale plantations - in particular for palm oil production (second-largest export). According to data from FAO, 2023 paddy production was estimated at a below-average level of 53.3 million tonnes, while maize crop production hit 21.5 million tonnes as large sowings driven by strong demand by the poultry industry almost entirely offset reduced yields due to dryness.

Industry contributed approximately to 41.4% of GDP and employed over 22% of the labour force in 2022 (World Bank). The Indonesian industrial sector encompasses a diverse range of industries contributing significantly to the country's economy. Key sectors include manufacturing, which encompasses textile and garment production, automotive manufacturing, and electronics assembly, with notable hubs in cities like Jakarta, Surabaya, and Bandung. The mining industry, particularly in coal, palm oil, and natural gas extraction, remains a crucial pillar of Indonesia's industrial landscape, driving export revenues. Moreover, the country is witnessing the emergence of renewable energy as an increasingly important sector, with investments in solar, wind, and hydroelectric power projects aimed at diversifying the energy mix and reducing dependence on fossil fuels. Infrastructure development and construction also play pivotal roles in Indonesia's industrial growth, spurred by ongoing urbanization and investment in transportation networks. Additionally, technology-driven sectors such as information technology (IT) and telecommunications are experiencing rapid expansion, fueled by a growing digital economy and increasing connectivity.

The service sector contributes to 41.8% of the GDP and employs around 49% of the active population (World Bank). Key sectors include tourism, which capitalizes on Indonesia's rich cultural heritage and natural landscapes, drawing millions of visitors annually (as of November, the number of foreign tourist arrivals in 2023 reached 10.4 million, an increase of 110.86% as compared to the same period one year earlier), finance, telecommunications, and retail, which have historically been significant contributors to Indonesia's GDP. With the rise of technology and digitalization, emerging sectors such as e-commerce, fintech, and digital services are gaining momentum, reflecting the country's growing connectivity and innovation landscape. Additionally, Indonesia's vast archipelago and rich cultural heritage foster opportunities in hospitality, entertainment, and creative industries.

Breakdown of Economic Activity By Sector	Agriculture	Industry	Services
Employment By Sector <i>(in % of Total Employment)</i>	29.0	21.8	49.3
Value Added <i>(in % of GDP)</i>	12.4	41.4	41.8
Value Added <i>(Annual % Change)</i>	2.3	4.1	6.5

Source: World Bank - Latest available data.

Monetary Indicators	2016	2017	2018	2019	2020
Indonesian Rupiah (IDR) - Average Annual Exchange Rate For 1 USD	13,308.33	13,380.87	14,236.94	14,147.70	14,582.20

Source: World Bank - Latest available data.

FOREIGN TRADE

Indonesia is open to foreign trade, which represents around 45% of its GDP (World Bank, latest data available). The country's main exports include coal, briquettes, ovoids and similar solid fuels (16.0%); palm oil and its fractions, whether or not refined (9.5%); ferro-alloys (4.7%); petroleum gas and other gaseous hydrocarbons (3.4%); and copper ores and concentrates (3.2%); whereas imports are led by petroleum oils (9.9%); petroleum crude (4.8%); telephone sets (2.8%); petroleum gas and other gaseous hydrocarbons (2.1%); and parts and accessories for tractors and motor vehicles (1.7% - data Comtrade for 2022). Indonesia became the world's largest exporter of thermal coal used in power stations in 2019 and has two major customers, China and India, the two largest coal importers worldwide.

China remained Indonesia's largest trading partner in 2022, buying up 22.6% of India's exports, followed by the United States (9.7%), Japan (8.5%), India (8%), and Malaysia (5.3%). In the same year, the main suppliers were China (28.5%), Singapore (8.2%); Japan (7.2%), Malaysia (5.3%), and South Korea (4.9% - data Comtrade). In 2020 Indonesia signed the Regional Comprehensive Economic Partnership (**RCEP**) with 14 other Indo-Pacific countries. This free trade agreement is the largest trade deal in history, covering 30% of the global economy. It includes the Association of Southeast Asian Nations (ASEAN: Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam) and ASEAN's free trade agreement partners (Australia, China, India, Japan, New Zealand and the Republic of Korea). The RCEP covers goods, services, investment, economic and technical cooperation. It also creates new rules for electronic commerce, intellectual property, government procurement, competition, and small and medium-sized enterprises.

Indonesia's trade balance has been positive in recent years. According to WTO data, in 2022 the country exported USD 291.9 billion worth of goods (+26.1% y-o-y), importing USD 237.4 billion (+21%). As per services, exports stood at USD 23 billion against USD 43.4 billion in imports (+65.4% and +52%, respectively). For the year as a whole, the World Bank estimated the trade balance to be positive by 3.6% of GDP (was 2.6% one year earlier). According to preliminary figures from Statistics Indonesia, the country's exports from January to November 2023 amounted to USD 236.41 billion, marking an 11.83% decrease compared to the corresponding period in 2022. Similarly, non-oil and gas exports stood at USD 221.96 billion, reflecting a decline of 12.47% over the same period. The total import value in January-November 2023 fell by 6.8% from the same period last year to USD 202.7 billion.

Foreign Trade Values	2018	2019	2020	2021	2022
Imports of Goods <i>(million USD)</i>	188,708	171,276	141,622	196,190	237,447
Exports of Goods <i>(million USD)</i>	180,124	167,683	163,306	231,506	291,979
Imports of Services <i>(million USD)</i>	37,692	39,282	24,771	28,550	43,392
Exports of Services <i>(million USD)</i>	31,207	31,642	15,016	13,951	23,086

Source: World Trade Organisation (WTO) ; Latest available data

Foreign Trade Indicators	2018	2019	2020	2021	2022
Foreign Trade <i>(in % of GDP)</i>	43.1	37.6	33.0	40.2	45.4
Trade Balance <i>(million USD)</i>	-228	3,508	28,301	43,806	62,672
Trade Balance (Including Service) <i>(million USD)</i>	-6,713	-4,133	18,546	29,208	42,335
Imports of Goods and Services <i>(Annual % Change)</i>	12.1	-7.1	-17.6	24.9	14.7
Exports of Goods and Services <i>(Annual % Change)</i>	6.5	-0.5	-8.4	18.0	16.3
Imports of Goods and Services <i>(in % of GDP)</i>	22.1	19.0	15.6	18.8	20.9
Exports of Goods and Services <i>(in % of GDP)</i>	21.0	18.6	17.3	21.4	24.5

Source: World Bank ; Latest available data

Foreign Trade Forecasts	2023	2024 (e)	2025 (e)	2026 (e)	2027 (e)
Volume of exports of goods and services (Annual % change)	7.4	13.2	8.4	8.1	7.4
Volume of imports of goods and services (Annual % change)	4.1	14.0	10.8	9.2	7.9

Source: IMF, World Economic Outlook ; Latest available data

Note: (e) Estimated Data

International Economic Cooperation

Indonesia is a member of the following international economic organisations: IMF, Asia-Pacific Economic Cooperation (APEC), ICC, Colombo Plan, WTO, Association of Southeast Asian Nations (ASEAN), G-15, G-20, G-77, among others. For the full list of economic and other international organisations in which participates Indonesia click [here](#). International organisation membership of Indonesia is also outlined [here](#).

Free Trade Agreements

Indonesia is a member of Regional Comprehensive Economic Partnership ([RCEP](#)) signed on 15 November 2020. The complete and up-to-date list of Free Trade Agreements signed by Indonesia can be consulted [here](#).

Main Partner Countries

Main Customers <i>(% of Exports)</i>	2022
China	22.6%
United States	9.7%
Japan	8.5%
India	8.0%
Malaysia	5.3%

Main Customers <i>(% of Exports)</i>	2022
See More Countries	45.9%

Main Suppliers <i>(% of Imports)</i>	2022
China	28.5%
Singapore	8.2%
Japan	7.2%
Malaysia	5.3%
South Korea	4.9%
See More Countries	45.9%

Source: Comtrade, Latest Available Data

POLITICAL OUTLINE

Current Political Leaders

President: Joko Widodo (since 20 October 2014) - PDI-P

Vice President: Ma'ruf Amin (since 20 October 2019)

Next Election Dates

Presidential: 2029

House of Representatives: 14 February 2024

Current Political Context

The government led by President Joko Widodo, who was re-elected for a second five-year term in May 2019, focused on structural reform and improving governance. It began a thorough overhaul of the energy subsidy programme, which funds infrastructure renovation and provides aid to the agricultural sector. With a focus on domestic issues during his second term, the president reaffirmed the reform agenda in 2020, particularly regarding labour, healthcare and infrastructure, in order to lure foreign investments and bolster growth. Despite growing public concern about pressures on civil liberties and the government's pandemic difficulties, Widodo remained incredibly popular with Indonesian voters. Nevertheless, the Indonesian constitution does not allow the President to run for a third term; hence the Indonesian Democratic Party of Struggle (PDI-P) placed its expectations on Ganjar Pranowo, a former governor of Central Java, for the upcoming presidential election. Other candidates included NasDem outgoing Jakarta Governor Anies Baswedan, who was nominated leader of the Coalition of Change, and the defence minister and former special forces commander Prabowo Subianto, who lead the Advanced Indonesia Coalition.

Indonesian Defence Minister Prabowo Subianto has claimed triumph in the presidential election following unofficial vote tallies indicating a substantial lead over his opponents. The 72-year-old ex-special forces commander, who previously ran for president twice without success, reportedly secured approximately 58% of the votes, according to four pollsters conducting "quick count" analyses across sampling stations nationwide. Anies Baswedan and Ganjar Pranowo lagged behind with roughly 25% and 17%, respectively.

Main Political Parties

Single parties have little chance of garnering power alone. Thus, parties often work together to form coalition governments. Primary representation in parliament consists of both nationalist secular parties and moderate and

Islamic-oriented groups. The major parties are:

Governing Coalition

- [Indonesian Democratic Party of Struggle \(PDI-P\)](#): centre-left, follows Pancasila'ideology based on the five founding principles of the Constitution; a split-away group from the PD
- [Party of Functional Groups \(Golkar\)](#): follows conservative liberalism, advocates democratic and liberal values
- [National Awakening Party \(PKB\)](#): Islamist, Pancasila ideology, nationalism
- [United Development Party \(PPP\)](#): Islamic democracy, nationalist Islamism, Pancasila ideology

Opposition:

- [National Mandate Party \(PAN\)](#): Islamic democracy, Pancasila ideology
- [Democratic Party \(PD\)](#): centrist, Pancasila ideology
- [Prosperous Justice Party \(PKS\)](#): Islamist, conservative
- [Great Indonesia Movement Party \(Gerindra\)](#): conservatism, nationalism, populism.

Executive Power

The [President](#) is both the head of the State and the head of the Government. The President enjoys the executive power and appoints the cabinet. Both the President and the Vice-President are elected through direct universal suffrage for five-year terms. The President is the commander-in-chief of the armed forces and responsible for domestic governance and policy-making and foreign affairs.

Legislative Power

The legislature in Indonesia is bicameral. The highest representative body at the national level is the parliament of the country, the People's Consultative Assembly ([MPR](#)). It consists of the DPR (House of People's Representatives - lower house) with 575 members elected directly to serve five-year terms, and the DPD (House of Regional Representatives - upper house) with 136 seats, each province electing 4 members on a non-party basis. The President cannot dissolve the parliament but he has the power to veto bills. In turn, a super-majority of legislators may act to override the veto. The people of Indonesia have limited political rights.

COVID-19 COUNTRY RESPONSE

Travel restrictions

Regularly updated travel information for all countries with regards to Covid-19 related entry regulations, flight bans, test and vaccines requirements is available on [TravelDoc Infopage](#).

To find information about the current travel regulations, including health requirements, it is also advised to consult Travel Regulations Map provided and updated on a daily basis by [IATA](#).

Import & export restrictions

A general overview of trade restrictions which were adopted by different countries during the COVID-19 pandemic is available on the [International Trade Centre's COVID-19 Temporary Trade Measures](#) webpage.

Economic recovery plan

For the general overview of the key economic policy responses to the COVID-19 pandemic (fiscal, monetary and macroeconomic) undertaken by the government of Indonesia, please consult the country's dedicated section in the [IMF's Policy Tracker platform](#).

Support plan for businesses

For an evaluation of impact of the Covid pandemic on SMEs and an inventory of country responses to foster SME resilience, refer to the OECD's [SME Covid-19 Policy Responses](#) document.

You can also consult the World Bank's [Map of SME-Support Measures in Response to COVID-19](#).