RUBIX COUNTRY INSIGHTS

INDONESIA

Indonesia's resilient economy, underpinned by strategic investments, trade expansion, and value-added industrial policies, is poised for long-term growth despite challenges like global market volatility and environmental sustainability.

EXECUTIVE SUMMARY

- Indonesia's economy demonstrated resilience in 2024, with GDP growth projected to improve from 5% in 2024 to 5.1% in 2025.
- Inflation management remains a strong aspect of Indonesia's economic stability. The headline inflation rate declined to 1.71% by October 2024, facilitated by targeted subsidies, price caps, and strategic monetary policies by Bank Indonesia.
- Public debt is strategically managed with a debt-to-GDP ratio of 39.6%. President Prabowo Subianto is open to increasing this to 50% to finance critical infrastructure and development initiatives, contingent on improving tax revenue.
- The country recorded its 53rd consecutive monthly trade surplus in September 2024, driven by non-oil and gas exports, particularly mineral fuels, vegetable oils, and iron and steel. However, fluctuations in global commodity prices have impacted revenue, underscoring the need for diversification.
- Exports to China accounted for 25% of Indonesia's total exports in 2023, making it the top trading partner, followed by the US and Japan. However, dependency on China poses risks, as slowing Chinese growth led to a 16.24% decline in Indonesian exports to the country in Q1 2024.
- Investment policies prioritise downstreaming to enhance domestic value addition. The export bans on raw nickel and bauxite have spurred significant growth in manufacturing, increasing Indonesia's share in global nickel production to 40.2% in 2023 and driving investments worth USD 30 billion, primarily from China.
- Indonesia is rapidly becoming a global hub for Electric Vehicle (EV) and battery manufacturing, leveraging its extensive nickel reserves.
- Key developments such as Vision 2045 aim to transform Indonesia into a high-income country, emphasising economic diversification, governance reforms, and sustainable development.

- India and Indonesia share a robust bilateral trade relationship, marked by strong economic ties and mutual dependence in key sectors. Indonesia was India's 8th largest trading partner in FY2023-24, with total trade amounting to USD 29.4 billion.
- Investments are also a key component of the relationship, with India's FDI in Indonesia growing steadily to USD 275.4 million in 2023 across 1,457 projects.

Key Economic Indicators: Summary

Indicator	2021	2022	2023 (E)	2024 (F)	2025 (F)	Forecast
GDP, current prices (USD Billion)	1190	1,320	1,370	1,400	1,490	●
Real GDP growth (%)	3.7	5.3	5	5	5.1	●
GDP per capita, current prices (USD '000)	4.4	4.8	4.9	5.0	5.2	●
Inflation rate, average consumer prices (%)	1.6%	4.1%	3.7%	2.5%	2.5%	●
General government gross debt (% of GDP)	41.1	40.1	39.6	40.5	40.7	●
Current account balance (% of GDP)	0.3	1	-0.2	-1	-1.2	●

Note: ●= positive outlook; ●= negative outlook; ●= stable/unchanged
Source: International Monetary Fund

Overview of the Political Landscape

Consisting of more than 17,000 islands, Indonesia is the largest archipelagic country in the world. It is now the world's fourth-most-populous democracy and the world's largest Muslim-majority nation. It ranks as the 10th largest economy based on purchasing power parity. Additionally, the nation has achieved remarkable progress in poverty alleviation, reducing the poverty rate by more than half since 1999 to less than 10% by 2019, before the onset of the COVID-19 pandemic.[1]

In July 2023, Indonesia reclaimed its status as an upper-middle-income country under the World Bank's income classification, having previously fallen out in 2020 due to the economic impacts of COVID-19. With the post-pandemic recovery gaining momentum, poverty reduction efforts have shown progress.

Transitioning to democracy in 1998 following the fall of General Suharto, Indonesia has undergone transformative political reforms, solidifying its status as the world's fourth-largest democracy and the largest Muslim-majority democracy. The presidential system ensures a directly elected president serves as both head of state and government, with a two-term limit fostering peaceful transfers of power. Indonesia's House of Representatives, part of a bicameral parliament, has emerged as an independent and robust institution, reflecting the nation's democratic progress. However, the October 2024 elections revealed a fragmented political landscape, with eight parliamentary parties necessitating coalition-building for effective governance.

On the international stage, Indonesia has demonstrated diplomatic leadership, hosting the G20 Presidency in 2022 and chairing ASEAN in 2023. These roles underscore its strategic importance as Southeast Asia's largest economy and a bridge between developed and developing nations. Domestically, Indonesia continues its ambitious 20-year development plan, emphasising human capital enhancement, competitiveness, and infrastructure development. The Government's ban on unprocessed nickel and bauxite exports has positioned Indonesia as a critical player in the global supply chain for electric vehicle batteries, boosting its economic leverage.

Under the Prabowo-Gibran administration, continuity remains central, with pledges to maintain infrastructure modernisation and a disciplined macroeconomic agenda. President Prabowo has set ambitious targets for economic growth, aiming to increase it from 5% to 8% annually, alongside launching a USD 28 billion initiative for free school meals to address child malnutrition and plans to modernise the armed forces to enhance Indonesia's regional and global influence[2].

Indonesia is implementing a 20-year development plan spanning from 2005 to 2025. This strategy is divided into five-year medium-term development plans, known as RPJMN (Rencana Pembangunan Jangka Menengah Nasional), each focusing on distinct development priorities. The current plan, marking

[1] *The World Bank*
[2] *Financial Times, October 2024*

the final phase of this 20-year vision, emphasises strengthening Indonesia's economy by enhancing human capital and boosting global competitiveness.

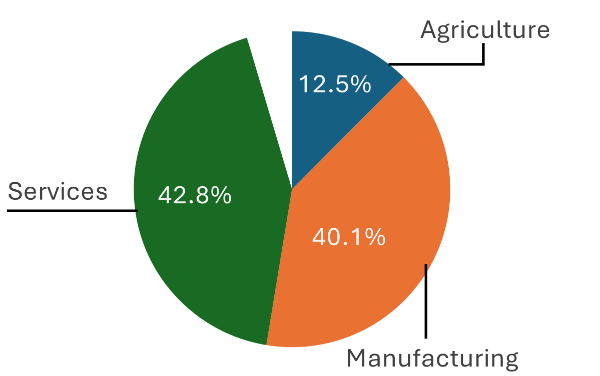
Another notable project is the USD 33 billion relocation of the capital to Nusantara in East Kalimantan on the island of Borneo, aimed at addressing overpopulation and environmental concerns in Jakarta. Simultaneously, Indonesia navigates complex geopolitical dynamics, balancing relationships with major powers like China and the United States amid tensions in the South China Sea.

As the nation charts its future, sustaining democratic integrity and fostering inclusive governance will be pivotal. Despite challenges, Indonesia's political landscape reflects a dynamic interplay of progress, resilience, and adaptation, reinforcing its role as a regional powerhouse in an evolving global order.

Overview of the Business Landscape

In 2024, Indonesia's business landscape is experiencing dynamic growth and transformation, driven by significant investments and policy reforms that enhance the economic prospects of the country. The economy is projected to grow by approximately 5.2%, fuelled by strong domestic consumption and investment[3]. The manufacturing sector is the backbone of Indonesia's economic expansion and is a major focus of the country's strategy to expand manufacturing value chains, especially in high-value areas. It includes the mining and quarrying sector, which benefits from Indonesia's rich deposits of coal and nickel. The wholesale and retail trade sector, including repairs of motor vehicles and motorcycles, also plays a significant role as a part of the services sector along with the construction industry which is driven by extensive infrastructure projects. The agriculture, forestry, and fishing sectors collectively add 12.5% to the GDP, highlighting Indonesia's reliance on its natural resources.

Sectoral Share of GDP, Indonesia, 2023



Note: Figures do not total 100% due to non-allocated consumption not captured in sector-reported data. Source: CIA World Factbook

As per Statistics Indonesia, 99% of business units in the country are Micro, Small, and Medium Enterprises (MSMEs). Thus, they play a pivotal role in the economy, contributing 61% to Indonesia's GDP and employing 97% of the workforce. Despite their critical economic contributions, MSMEs face significant challenges, particularly in accessing finance. Stringent lending criteria, lack of collateral, and insufficient credit histories disproportionately hinder smaller firms, limiting their growth and reducing their export capabilities. Addressing these financial access issues is crucial for leveraging the full potential of MSMEs and ensuring their continued contribution to economic diversification and global trade engagement.

Foreign direct investment has notably increased, reflecting international confidence in Indonesia's economic stability and high-return potential. This growth in investment is partly attributed to Indonesia's involvement in the Regional Comprehensive Economic Partnership, which has improved access to global supply chains. The emphasis on infrastructure development, with substantial investments in roads, ports, airports, and digital connectivity, aims to reduce logistical costs and open new markets, further stimulating economic activities.

As Indonesia approaches the completion of its 20-year development plan in 2025, there is a strategic focus on increasing self-reliance and boosting competitiveness on the global stage. This includes fostering a robust economy that benefits both domestic and international stakeholders and implementing comprehensive tax reforms.

The logistics sector in Indonesia, despite substantial investment, including USD 450 billion under previous administrations[4], faces persistent challenges such as high costs accounting for 21% to 23% of GDP, regulatory barriers, and infrastructural inefficiencies, particularly in remote areas. Efforts such as the "Tol Laut" sea highway program are aimed at improving connectivity but struggle with issues like low return cargo volumes and insufficient infrastructure support at peripheral ports[5]. Advanced digital technologies

[3] PwC, 2024
[4] Zhenhub, July 2023
[5] EastAsiaForum, August 2023

like the National Logistics Ecosystem (NLE) and the Indonesian National Single Window are being integrated to streamline operations, yet the sector remains hampered by restrictive regulations on foreign ownership and stringent cabotage laws[6].

Environmental policies have also seen significant focus, with initiatives like the moratorium on new palm oil plantations leading to a 75% decrease in deforestation between 2019 and 2020. However, the environmental challenges are vast, and the Government's strategies need to be scaled up significantly to achieve Indonesia's 2060 net-zero emissions target. This includes enforcing existing policies and introducing new legislation to promote sustainable practices across various industries[7].

Overall, Indonesia's business environment is poised for significant growth, driven by a combination of governmental policy reforms, strategic investments in critical infrastructure and technology, and a concerted push to enhance the country's capabilities in manufacturing and the digital economy, alongside strengthening the MSME sector.

Islamic Finance

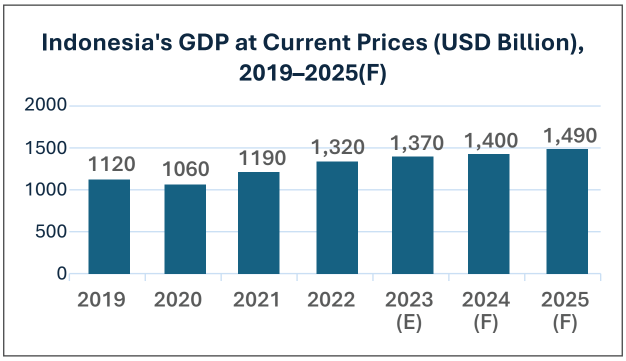
Home to the largest Muslim population in the world, Indonesia's Islamic finance sector is one of the fastest-growing, ranking as the ninth largest globally by total assets, surpassing countries like Pakistan and Egypt. Guided by Shariah principles, Islamic banking in Indonesia prohibits interest rates and speculative activities, instead relying on income generated from real assets. In 2023, Islamic banking assets grew by an impressive 11.4%, significantly outpacing the 6.4% growth of conventional banking[8]. This growth reflects increasing demand for Shariah-compliant financial services. Regulatory efforts to consolidate the industry and boost competitiveness, particularly for larger Shariah business units, aim to address challenges such as stiff competition with conventional banks. With strong performance and ongoing reforms, Indonesia's Islamic finance sector is becoming an increasingly significant part of the nation's financial system.

[6] *CRIF, July 2024*
[7] *Climate Impacts Tracker Asia, July 2024*
[8] *Fitch Ratings, February 2024*

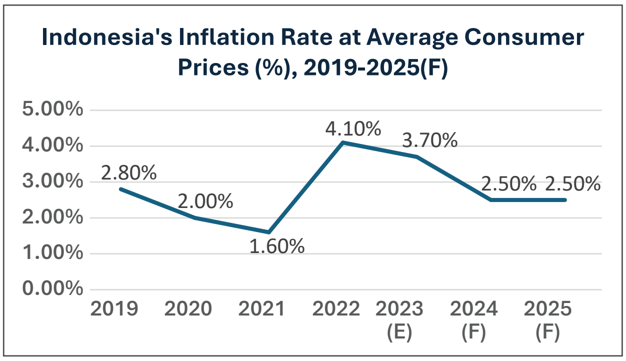
Business Entities in Indonesia

Type of Company	Brief Details
Individual Proprietorship (Usaha Dagang - UD)	This business type is owned and operated by a single individual without a legal distinction between the owner and the business. The owner bears unlimited personal liability for the business' obligations and debts.
Partnership (Firma)	This entity can be formed by two or more individuals or entities. Partners have joint and several liabilities for the obligations of the partnership. It requires registration with the local court and must operate under a partnership agreement.
Limited Partnership (Komanditer - CV)	Such an entity consists of at least one active partner who manages the company and is responsible for unlimited liabilities, and at least one silent partner who contributes capital and whose liability is limited to the extent of their contribution.
Limited Liability Company (Perseroan Terbatas - PT)	This type of entity can be established with one or more shareholders and requires a minimum of two directors and one commissioner. Shareholders' liability is limited to the amount of their shares. PT is the most common type for both local and foreign investments.
Public Company (Perusahaan Terbuka)	A PT that meets certain criteria can become a public company, allowing it to raise capital by offering its shares to the public. A public company must have a minimum of 300 shareholders and a minimum of 25% of its capital spread among the public.
Foreign Direct Investment Company (Penanaman Modal Asing - PMA)	This is a PT designated for foreign investors, requiring minimum investment and capitalisation as stipulated by the Investment Coordinating Board (BKPM). It can be 100% foreign-owned, joint venture, or a combination, depending on industry regulations.
Representative Office (Kantor Perwakilan Perusahaan Asing - KPPA)	This is a non-income generating office established by a foreign company to conduct market research or act as a buying or selling agent in Indonesia. It cannot engage in direct sales and transactions but can carry out promotional activities.

Key Economic Indicators: Major Insights



Source: International Monetary Fund



Source: International Monetary Fund

GDP

Indonesia's Economic Resilience and Growth Driven by Sustained Private Consumption

In 2024, Indonesia's economy has shown resilience, maintaining capped levels despite facing various challenges. The GDP growth in the second quarter declined slightly to 5.0% year-on-year, from 5.1%, largely due to a slight cut in public spending. However, economic stability and growth have been supported by sustained private consumption and solid investments. According to the World Bank, Indonesia's economy is expected to reach pre-pandemic growth rates, with a projected increase from 5% in 2024 to 5.1% in 2025, driven by enhanced consumer spending, higher government expenditure, and continuous investments, positioning Indonesia to surpass other countries in the East Asia and Pacific region[9]. Additionally, PwC's initial 2024 report forecasts Indonesia's GDP growth to range between 4.7% and 5.5%, underpinned by robust domestic consumption and significant investments in infrastructure and essential industries, despite prevailing global economic uncertainties.

Inflation

Inflation Containment Through Domestic Subsidies, Price Caps, and Monetary Policy

In 2024, Indonesia effectively managed inflation through a combination of monetary policies and government interventions. In August 2024, the annual headline inflation rate slightly declined to 2.12% year-over-year from 2.13% in July. This was driven by a 1.24% deflation in volatile food prices, due to increased supply during the harvest season. Core inflation remained controlled, rising marginally from 0.18% to 0.20% month-to-month, influenced by global commodity price trends, including gold. Administered prices rose by 0.23% month-to-month[10], reflecting higher fuel prices and excise duties on tobacco products.

In September 2024, Bank Indonesia (BI), the country's central bank, cut the benchmark interest rate by 25 basis points to ensure inflation stayed within the target range of 2.5% ± 1% for 2024-2025[11]. The Government supported these efforts with subsidies and price caps on essential goods and energy, alongside the National Movement for Food Inflation Control (GNPIP) to stabilise food prices.

By October 2024, the annual inflation rate declined further to 1.71%, marking the lowest level since October 2021 and staying well within the central bank's target range of 1.5% to 3.5%. Therefore, BI maintained its benchmark interest rate at 6.00%. The decline in October was primarily driven by a moderation in food prices, with food inflation slowing to 2.35% from 2.57% in September due to an abundant rice supply. Additionally, transport prices decreased by 0.08%, reversing the previous month's increase[12]. These results underscore Indonesia's effective approach to inflation management and economic stability.

Public Debt

Strategic Management of Indonesia's Public Debt and Future Fiscal Outlook

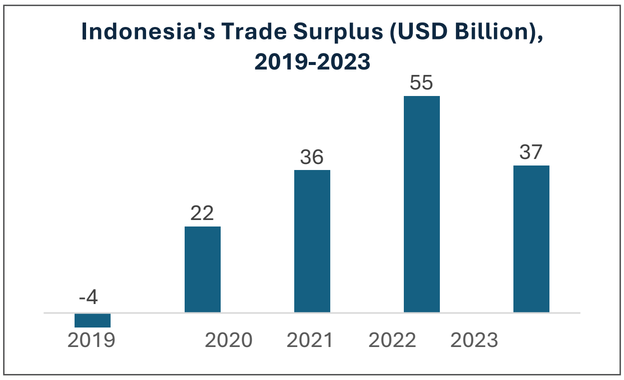
As of 2024, Indonesia's public debt has been carefully managed, with the government debt-to-GDP ratio at

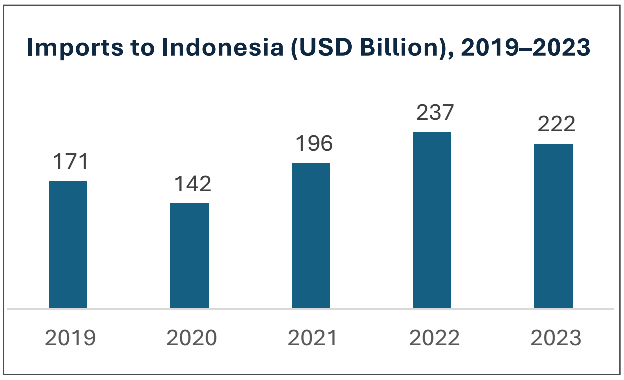
[9] *Business Indonesia, October 2024*
[10] *Bank Indonesia, September 2024*
[11] *Business Indonesia, October 2024*
[12] *Trading Economics, 2024*

39.6%, reflecting a controlled increase to support economic growth and infrastructure development. The national debt includes a manageable external debt level of USD 425.1 billion, reflecting a 7.3% annual increase from public and private sector contributions, with the Government's external debt alone standing at USD 200.4 billion—up 4.6% from the previous year[13]. Indonesian President Subianto is open to allowing the debt-to-GDP ratio to rise to 50%, contingent on his administration's ability to increase tax revenue, underscoring a strategy that aims to balance fiscal health with ambitious development objectives. These measures are crucial for maintaining Indonesia's appeal to investors and supporting economic resilience amid global financial volatility[14].

Cross-Border Trade Dynamics

From 2019 to 2023, Indonesia's imports grew at a 7% CAGR, peaking in 2022 before declining by 6.6% in 2023. Exports, on the other hand, experienced an 11% CAGR until 2022 but fell by 11.4% in 2023 due to fluctuations in commodity prices, impacting key sectors such as oil and gas. This period marked a significant shift in Indonesia's trade balance from a deficit in 2019 to a robust USD 55 billion surplus in 2022, reflecting strong export performance. However, the surplus declined by 32.7% to USD 37 billion in 2023, indicating emerging challenges.





The trade surplus appears to have persisted in September 2024, with Indonesia recording a USD 3.26 billion surplus, marking the 53rd consecutive monthly surplus since May 2020[15]. This ongoing success was driven primarily by exports of non-oil and gas commodities, such as mineral fuels, animal fats, vegetable oils, and iron and steel, while the oil and gas sector posted a deficit. This trend highlights both the resilience of non-oil exports and the broader challenges facing the oil and gas sector, underscoring the importance of continued economic diversification.

[13] *International Trade Centre (ITC), Rubix & AGR analysis*
[14] *Reuters, July 2024*
[15] *BPS-Statistics Indonesia*

Country-wise Trade

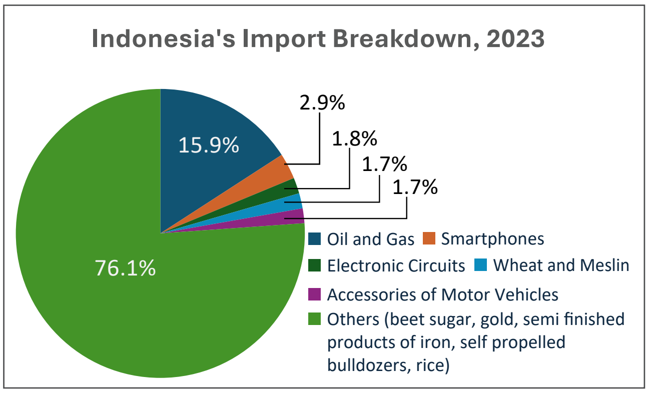
The Top 5 countries to which Indonesia exported, collectively accounted for a 55% share of the total exports in 2023, a slight decline from 52% in 2019.

Top 5 Countries From Where Indonesia Imported			Top 5 Countries to Which Indonesia Exported		
Country	**Share in 2019**	**Share in 2023**	**Country**	**Share in 2019**	**Share in 2023**
China	26.2%	28.4%	China	16.7%	25.2%
Singapore	10.3%	8.3%	USA	10.7%	9.0%
Japan	9.1%	7.4%	Japan	9.5%	8.0%
USA	5.4%	5.1%	India	7.1%	7.8%
Malaysia	4.5%	4.9%	Singapore	7.7%	4.9%
Others	44.5%	45.9%	Others	48.3%	45.1%
Total	**100%**	**100%**	**Total**	**100%**	**100%**

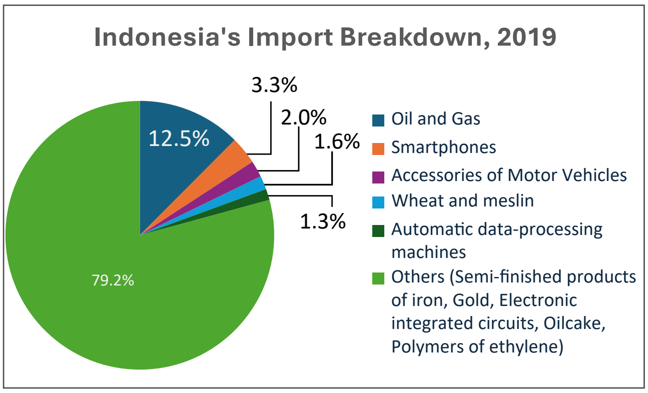
Note: All figures are rounded off. Source: International Trade Centre (ITC)

Major Imports

In 2023, Oil and Gas imports to Indonesia increased significantly, rising from 13% in 2019 to 16% of total imports, reflecting a growing demand for energy resources. Although the share of imports for items such as smartphones along with wheat and meslin has remained relatively stable, contributing around 3% and 2% respectively, Indonesia is also planning to import around 1 million metric tons of rice from India in 2025 to address supply shortages caused by an estimated 2.43% decline in domestic rice production[16].



Source: International Trade Centre (ITC)



Source: International Trade Centre (ITC)

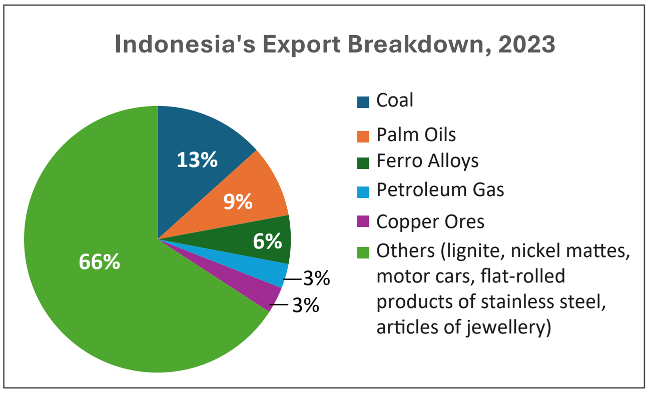
Major Exports

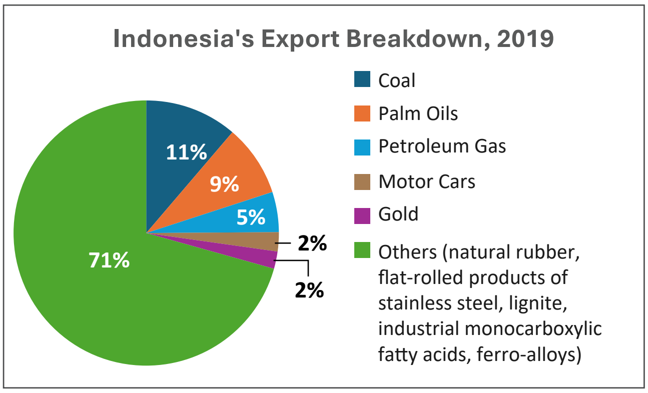
In September 2024, Indonesia's export value was recorded at UDS 22.08 billion, and for the cumulative period from January 2024 to September 2024, the total export value reached USD 192.85 billion. The primary contributors to this export performance were non-oil and gas commodities, accounting for a trade value of USD 4.62 billion. These exports were mainly driven by mineral fuels, animal fats and vegetable oils, and iron and steel. Indonesia also recorded trade surpluses with key partners such as the US (USD 1.39 billion), India (USD 940 million), and the Philippines (USD 780 million), with the surplus with the US being driven by machinery, electrical equipment, clothing, and footwear[17].

[17] *Antata, October 2024*

"The focus of short-term monetary policy is on the stability of the rupiah exchange rate due to increasing uncertainty in global financial markets."

Perry Warjiyo, Governor, Bank Indonesia





Brief Snapshot of Key Developments in Indonesia: Impact Metrics

Key Developments	Impact		
	1–2 years	3–5 years	6–10 years
Indonesia's Metal Export Ban Strategy	High	High	High
Indonesia's role in ASEAN as the bloc's largest economy	High	Medium	High
Indonesia's aim to be a net-zero emissions country by 2060	Medium	High	High
Jakarta's Smart City Initiative	Medium	High	High
Commodity price volatility and over-reliance on China for trade	Medium	High	High
Electric vehicle and battery ecosystem push	Medium	High	High
Indonesia-Australia Comprehensive Economic Partnership Agreement (IA-CEPA)	Medium	High	Medium
Indonesia Vision 2045 to achieve High-Income Status	Low	Medium	High

Key Developments in Indonesia

Indonesia's Export Ban Strategy

One of the most significant policies of Indonesia's previous Government was the ban on raw nickel ore exports in 2020. Despite backlash from the international community, particularly the World Trade Organization (WTO) and the European Union (EU), the policy proved transformative for Indonesia's economy. It spurred a 48% annual growth in domestic manufacturing of refined nickel products from 2020 to 2023, culminating in an export value of USD 15.3 billion by 2023. Additionally, the production of stainless-steel products, heavily reliant on nickel, experienced a 22% CAGR from 2019 to 2023. Buoyed by this success, the Government implemented a 2023 ban on raw bauxite exports, aiming to replicate these outcomes in refined aluminium production[18].

While these down-streaming policies have driven economic diversification and added value, they have also faced global criticism. Indonesia's policy disrupted global supply chains by reducing raw nickel availability while boosting processed nickel exports. This shift increased Indonesia's share of global nickel production to 40.2% in 2023[19]. However, over-concentration in one country raises risks for international buyers, and concerns about trade protectionism could trigger retaliatory policies.

The WTO ruled against Indonesia, arguing that its nickel processing industry was not sufficiently developed to justify export restrictions. The EU, which challenged the ban, raised concerns over supply chain disruptions and the forced relocation of industries to Indonesia. The US, while acknowledging Indonesia's role as the largest nickel producer, emphasised the need for trade predictability to secure agreements under the Inflation Reduction Act (IRA). Moreover, heavy investment from China in Indonesia's nickel sector complicates its position in Western markets wary of Chinese influence. A March 2023 report by S&P Global Ratings stated around USD 30 billion had been invested in Indonesia following the export ban, mostly from China.

On the domestic front, these policies have fostered

[18] *PWC, 2024*
[19] *A S&P Global Market Intelligence data*

local smelting and refining industries, enabling Indonesia to add value to its raw materials. This aligns with its ambition to climb the value chain in industries like stainless steel and Electric Vehicle (EV) battery production, paving the way for Indonesia's emerging EV sector, set to leverage its nickel resources for competitive advantages. However, job creation has fallen short of expectations, with unemployment remaining high in regions hosting these projects. Environmental concerns also loom, as nickel processing heavily relies on coal-fired power. Other challenges such as infrastructure gaps, red tape, and delays in budget plans (Rencana Anggaran dan Biaya or RKAB) for mining operations have caused supply chain bottlenecks. For instance, only 107 out of 731 mining plans were approved, potentially leading to raw nickel shortages and reliance on imports from countries like Australia and the Philippines[20], undermining its self-reliance goals.

In the short term, the policy has driven substantial export growth and foreign investment, but medium-term concerns over supply chain stability and environmental sustainability loom large. In the long term, Indonesia's ability to balance domestic industrialisation with global trade dynamics will determine whether this strategy transforms it into a resilient, high-value industrial hub.

Indonesia's Role in ASEAN as the Bloc's Largest Economy

Indonesia plays a pivotal role within ASEAN, shaping the bloc's economic and geopolitical trajectory in the dynamic Indo-Pacific region. It leverages its position as ASEAN's largest economy to drive regional economic integration and development, particularly through initiatives like the RCEP, enhancing ties with major economies. ASEAN, accounting for over 8% of global trade, 5% of global manufacturing value-added, and 17% of global FDI (in 2023)[21], has grown into a vital hub for global commerce. As ASEAN Chair in 2023, Indonesia championed the theme "ASEAN Matters: Epicentrum of Growth," highlighting the region's potential as a global economic hub. This leadership aligns with Indonesia's role in the Regional Comprehensive Economic Partnership (RCEP), encompassing 30% of global GDP and enhancing trade ties with economies like China and Japan[22].

In geopolitics, Indonesia's commitment to ASEAN's neutrality through initiatives like ZOPFAN (Zone of Peace, Freedom, and Neutrality) underscores its efforts to balance US-China rivalries in the contested Indo-Pacific, safeguarding regional stability. Key developments, such as Indonesia's push for a South China Sea Code of Conduct, demonstrate its dedication to fostering peace amid escalating tensions. On the economic front, Indonesia exemplifies integration by leveraging agreements like the Indonesia-Australia Comprehensive Economic Partnership Agreement (IA-CEPA), which has boosted trade flows since 2020.

Additionally, Indonesia's focus on sustainable growth, as seen in initiatives like the ASEAN Agreement on Transboundary Haze Pollution, aligns with the bloc's goals of socio-economic resilience. Furthermore, Indonesia's emphasis on preparing ASEAN for digital transformation, energy security, and green technologies positions the region to thrive amid global challenges.

To conclude, ASEAN's ability to navigate external pressures and maintain cohesion will depend on Indonesia's continued leadership and strategic clarity. This interplay positions ASEAN and Indonesia as indispensable to each other's success in shaping the 21st-century Indo-Pacific order.

Indonesia's Aim to be a Net-zero Emissions Country by 2060

Indonesia's climate action efforts illustrate a blend of ambition and complexity. The nation is striving to reconcile its role as a leading coal exporter and palm oil producer with its responsibilities as a steward of the world's third-largest tropical forests. The new Government under President Prabowo Subianto has pledged to achieve carbon neutrality by 2060—or earlier, as some recent commitments suggest—marking a significant commitment to combating climate change.

A major component of this strategy is the development of 75 gigawatts (GW) of renewable energy over the next 15 years, part of a broader plan to implement 100 GW of new energy, as announced by Hashim Djojohadikusumo at the 2024 United Nations Climate Change Conference. This move signifies a major shift towards renewable resources, phasing out coal-fired plants[23].

Simultaneously, Indonesia is expanding its biodiesel use. The implementation of the B40 biofuel mandate is expected to increase palm oil use for energy to 13.9 million metric tons by 2025, up from 11 million tons this year. The Government also plans to raise the biodiesel blend to 50% by 2028 and introduce a 1% blending mandate for jet fuel in 2027, according to Edi Wibowo, Director of the Energy and Mineral Resources Ministry[24].

[20] *PwC, 2024*
[21] *Economic Research Institute for ASEAN and East Asia*
[22] *ASEAN Briefing, March 2023*
[23] *Reuters, November 2024*
[24] *Reuters, November 2024*

Further supporting green initiatives, Indonesia's sovereign wealth fund (INA) plans to invest up to USD 1 billion this year in green energy. Established in 2021 with a USD 5 billion state injection, INA aims to leverage the country's extensive nickel reserves for energy transitions, signalling robust growth in both the economy and employment[25].

Despite these initiatives, significant barriers remain. The reliance on coal for 67% of electricity generation[26] and the construction of new coal-fired power plants highlight a tension between immediate energy needs and long-term climate goals. Financial challenges, including a USD 76 billion funding gap for the Just Energy Transition Partnership (JETP)[27], hinder the acceleration of renewable projects. Subsidies for coal further discourage investments in renewables. Institutional gaps, such as uneven policy implementation and capacity deficits in energy planning, exacerbate these challenges.

Opportunities abound, nonetheless. With abundant renewable energy resources, including solar, wind, and geothermal energy, Indonesia is well-positioned to attract global climate finance and green investments. Its strategic location as a maritime hub and its leadership in ASEAN provide avenues to influence regional sustainable development. Furthermore, initiatives like the Green Energy Buyers Dialogue and partnerships with international bodies enhance prospects for collaborative solutions to financial and technological barriers.

Jakarta's Smart City Initiative

The Jakarta Smart City Initiative, launched in 2014, seeks to transform Indonesia's bustling capital into a more liveable, efficient, and sustainable urban environment. Utilising technology and data analytics, the program aims to improve public services and foster economic growth for over 10 million residents[28]. A key feature is the Jakarta Kini (JAKI) app, a digital platform that centralises government services, allowing citizens to engage with city management actively. This app has been crucial for distributing over 150,000 social aid packages effectively[29].

Economic efforts include the JakPreneur program, which bolsters local micro, small, and medium enterprises (MSMEs) with necessary resources and training, stimulating economic innovation and entrepreneurship. The initiative also employs advanced analytics and IoT technology to optimise urban planning and governance, enhancing everything from social aid distribution to disaster management[30].

Despite its progress, the initiative faces challenges in data integration among over 300 municipal agencies and in ensuring digital inclusivity. Future plans involve personalising public services and expanding digital tools to encourage greater citizen participation[31].

A recent notable development under this initiative is the inauguration of a new Mass Rapid Transit (MRT) line by President Joko Widodo. Funded by Japan, this line will extend 25 km from Bekasi in the east to the west of Jakarta, significantly improving public transport and reducing traffic congestion by its 2031 completion. This project underscores the ongoing enhancements to Jakarta's urban infrastructure and mobility, marking continued progress in the city's transformation efforts[32].

Commodity Price Volatility and Over-reliance on China for Trade

Indonesia's economic structure, heavily reliant on commodity exports and trade with China, exposes it to significant vulnerabilities. Between January and February 2024, nearly 47% of Indonesia's total exports were made up of mineral resources, vegetable and animal fats, and precious items like pearls, diamonds, and metals[33]. Volatility in global commodity prices has notably impacted export revenues despite rising export volumes. In 2023, Indonesia managed a trade surplus of approximately USD 37 billion, a significant achievement, yet marking a 32.22% decrease from the 2022 surplus of approximately USD 55 billion. This occurred even as export volumes rose from 646.67 million tonnes in 2022 to 701.97 million tonnes in 2023, suggesting that the decrease in surplus value was primarily due to falling commodity prices. For instance, coal exports, which topped Indonesia's export list at USD 43.6 billion in 2023, dropped significantly in value due to a dramatic decrease in global coal prices from USD 331 per tonne in 2022 to USD 124 in 2023—a 62% decline.

This fall has had a substantial impact, with the value of coal exports to major markets like India plunging by 46%, despite stable or even increased export volumes. The discrepancy between volume and value highlights the fragile nature of relying heavily on commodities whose prices are susceptible to global economic shifts. Other major export categories, like palm oil, also experienced volatility, though they remain crucial for Indonesia's trade strategy.

[25] *Financial Times, April 2024*
[26] *Fitch Ratings, December 2024*
[27] *The Diplomat, November 2023*
[28] *Public Digital, January 2024*
[29] *SAS, 2024*
[30] *Kompas, May 2024*
[31] *Public Digital, January 2024*
[32] *Reuters, September 2024*
[33] *Faculty of Economics and Business, Universitas Gadjah Mada (FEB UGM)*

This underscores the fragility of Indonesia's reliance on commodities like coal and palm oil, which are susceptible to global market fluctuations. Furthermore, the focus on raw materials limits value addition and diversification, creating a cyclical dependence on volatile markets. Furthermore, about 90% of Indonesia's imports consist of raw materials and capital goods[34], essential for supporting manufacturing and production. A recent rise in the Manufacturing Purchasing Managers' Index (PMI) indicates increased manufacturing activity, which is expected to drive higher demand for these imports, further impacting the trade surplus.

Over-reliance on China as a trading partner amplifies these risks. In 2023, China accounted for over 20% of Indonesia's total exports, with Indonesia exporting USD 65.94 billion worth of goods to China and importing USD 62.18 billion in 2023. However, China's economic challenges—such as its property market downturn and slowing growth—have diminished demand for Indonesian commodities, contributing to a 16.24% drop in exports to China in Q1 2024[35]. Additionally, investment practices by Chinese firms in Indonesia, particularly in metal processing, often prioritise the repatriation of revenues, reducing Indonesia's economic gains from such ventures.

In the short term, declining export revenues and trade surplus may constrain fiscal capacity and exacerbate trade imbalances, potentially weakening investor confidence. In the long term, diversification into stable sectors and broader trade relationships are imperative to mitigate these risks and enhance economic stability.

Electric Vehicle and Battery Ecosystem Push

Indonesia is ambitiously advancing its electrification plans with an aim to establish itself as a major player in the global Electric Vehicle (EV) and battery ecosystem. With the world's largest nickel reserves and rapidly expanding nickel-processing industries, the country has the potential to play a pivotal role in the EV supply chain. Government policies have already driven this sector to feature among the top 5 investment sectors. In Q4 2023, the electric vehicle ecosystem received an investment of IDR 1.3 trillion[36]. Major international players, including Hyundai, LG, and CATL, have committed to significant investments in manufacturing plants and integrated battery supply chains within Indonesia.

To further accelerate EV adoption, the Government offers extensive incentives, such as full exemptions on luxury goods sales tax for EVs in 2024 and import duty waivers until 2025. Additionally, policies like reduced value-added tax for EVs with 40% locally sourced components aim to bolster domestic production[37]. Public infrastructure development, including a growing EV charging network and electrification of public transportation, further supports this transition.

With Indonesia is expected to supply 62% of global nickel by 2028 and contribute 20% of global cobalt supply by 2034, in the short term, these efforts by the Government to push the EV industry will attract foreign investment and help diversify exports. Medium-term benefits include job creation and a robust manufacturing sector, which will ultimately help position Indonesia as a high-income economy by 2045, aligning with its strategic vision.

Strengthening Economic Ties: The Impact of the Indonesia-Australia Comprehensive Economic Partnership Agreement (IA-CEPA)

The Indonesia-Australia Comprehensive Economic Partnership Agreement (IA-CEPA), effective from July 5, 2020, has substantially strengthened economic relations between Indonesia and Australia, focusing on sustainable growth through enhanced trade and investment. A central element of IA-CEPA is the elimination of tariffs on 99% of Australian exports to Indonesia and vice versa, enhancing the competitiveness of agricultural products and manufacturing components[38].

Specifically, the agreement has notably benefited the Australian cattle industry, as Indonesia is its largest market. Under IA-CEPA, over 600,000 live cattle are exported annually from Australia to Indonesia, bolstering agricultural trade[39]. Additionally, as of 2024, Australia has eliminated 6,474 tariff posts, allowing duty-free entry for Indonesian products. Conversely, Indonesia has removed 10,229 tariff posts, accounting for 94.5% of import duties on Australian goods, facilitating smoother trade flows[40].

Furthermore, Australian firms now have the opportunity to hold majority stakes in key Indonesian sectors like telecommunications, healthcare, and energy. This opportunity promotes deeper investment and expertise transfer. The agreement also expands the Work and Holiday visa quota from 1,000 to 4,100 annually for Indonesians, enhancing cultural and educational exchanges[41].

[34] *Faculty of Economics and Business, Universitas Gadjah Mada (FEB UGM)*
[35] *Faculty of Economics and Business, Universitas Gadjah Mada (FEB UGM)*
[36] *PwC*
[37] *PwC*
[38] *Australian Embassy Indonesia, 2024*
[39] *ASEAN Briefing, March 2023*
[40] *The Jakarta Post, July 2024*
[41] *Australian Embassy Indonesia, 2024*

However, despite these advances, IA-CEPA faces challenges from regulatory complexities and non-tariff barriers in areas like cybersecurity and food safety. These issues require continuous bilateral dialogue to fully capitalise on the agreement's benefits.

Overall, IA-CEPA not only fosters economic growth but also builds resilient supply chains and enhances market access, marking a strategic step towards mutual prosperity and stability in the Indo-Pacific region.

Indonesia Vision 2045: Strategic Blueprint Sets Course for High-Income Status Through Transformative Economic and Social Reforms

Indonesia's Vision 2045 is designed to propel the nation to high-income status by its centennial year of independence, supported by four strategic pillars: economic growth, human capital enhancement, governance reform, and social and cultural development. Central to this vision is the economic transformation, aimed at industrial advancement through enhanced downstream processing in critical sectors such as mining, agriculture, and fisheries. Recent policy shifts include aggressive plans to cut logistics costs from the current 14.1% of GDP to 8%-9%[42], driven by major infrastructure upgrades that promise enhanced domestic and international trade efficiencies. This economic pillar also emphasises the adoption of sustainable and green technologies across industries, targeting a significant reduction in carbon emissions by 2045.

On the human capital front, Vision 2045 focuses on overhauling Indonesia's education and health sectors to forge a workforce equipped for the future. Educational reforms aim to increase research and development spending to 2% of the GDP[43], with the ambition of ranking Indonesian universities among the top 100 globally. Health initiatives are equally robust, with goals to cut the national stunting rate from 21.6% to below 10% and to elevate health standards nationwide[44].

Governance reform under Vision 2045 prioritises increasing transparency and accountability through strict anti-corruption measures, with the establishment of robust public-private partnerships to enhance policy precision and implementation. Complementing these measures, the vision promotes strong social and cultural cohesion through the principles of "Gotong Royong" (mutual cooperation) and "Bhinneka Tunggal Ika" (unity in diversity). Efforts under these focus on reducing income disparities, with specific initiatives aimed at boosting Eastern Indonesia's GDP contribution from 20% to 25%[45].

Thus, the Indonesia Vision 2045 integrates economic growth with social equity and environmental protection and provides a detailed roadmap to create a resilient, inclusive, and sustainable Indonesia by 2045.

Key Sectoral Initiatives

Construction

Rebound in infrastructure growth and commercial construction

A Indonesia's construction sector is poised for significant growth, projected to expand at a CAGR of 5.7% from 2024 to 2028, with output expected to reach approximately USD 186 billion by 2028. Government investment is robust, with over IDR 423 trillion (about USD 28 billion) allocated for 2024 to enhance infrastructure and drive economic growth. The sector is seeing a shift towards vertical housing in urban areas like Jakarta, fuelled by land scarcity and urban density, supported by government housing incentives such as VAT exemptions for properties up to IDR 5 billion[46].

Commercial construction is rebounding with increased investments in retail and office spaces, driven by a post-pandemic recovery in consumer spending. The trend towards green commercial buildings is growing in response to regulatory demands and consumer preferences for sustainability. Industrial construction is also on the rise, particularly with significant investments in renewable energy projects like those planned by state utility company PLN, which expects to invest IDR 2.6 quadrillion (approximately USD 172 billion) in renewable energy capacities[47].

Key infrastructure projects include the new capital city, Nusantara, estimated at USD 32 billion and expected by 2045, aiming to reduce Jakarta's congestion. With the new President, Prabowo Subianto, supporting the continuation of these infrastructure initiatives, the sector's growth outlook is stable with promising sustained development and an enhanced focus on sustainability in construction practices[48].

[42] *PWC Indonesia, September 2023*
[43] *Journal Bappenas, 2019*
[44] *Kadin Indonesia, 2024*
[45] *Journal Bappenas, 2019*
[46] *GlobeNewswire, September 2024*
[47] *GlobeNewswire, September 2024*
[48] *Business Indonesia, March 2024*

Agriculture

Revival of agriculture to attain food self-sufficiency and offset the land lost to urbanisation

Indonesia is prepared to enlarge its agricultural land by three million hectares within the next five years under initiatives introduced by President Prabowo Subianto. This expansion is a direct response to the reduction of farming areas from 8.08 million hectares in 2015 to 7.4 million hectares currently, which is a decrease of 8.5%. The expansion aims to bolster food self-sufficiency and offset the land lost to urbanisation[49].

Key to these efforts is the development of a sugarcane estate in Papua at an investment of IDR 130 trillion (about USD 8.29 billion), which will decrease sugar imports and increase local production. Additionally, Indonesia is promoting the biofuel sector through the B35 and B40 mandates, enhancing domestic palm oil use, with the CPO fund contributing USD 2.5 billion from export levies in 2023 to support biodiesel production, which is anticipated to reach 18 billion litres by 2033[50].

Climate resilience is also a priority, with adaptations for the El Niño-induced irregular rainfall impacting planting cycles. To rejuvenate the ageing agricultural workforce, where more than 80% of farmers are over 40 years old, the Government, in partnership with the Food and Agriculture Organization (FAO), is focusing on attracting youth through innovative farming systems.

Recent developments include converting 100,000 hectares of South Sumatran and Central Kalimantan swamps into rice fields. This is a part of a broader strategy to enhance food production and stability, reflecting a holistic approach to agricultural enhancement and economic growth.

Health Sector

Strengthening Indonesia's health sector to realise the Golden Indonesia 2045 vision

Indonesia's healthcare and pharmaceutical sector is undergoing rapid transformation, driven by a growing population of 283 million and increasing demand for accessible, high-quality healthcare. The Government's National Health Insurance (JKN) scheme, the largest single-payer system globally, now covers more than 90% of the population. In 2023 alone, JKN processed claims worth IDR 158.8 trillion for over 600 million medical cases, reflecting its vast reach. Despite such strides, challenges persist, including a rising prevalence of illnesses like diabetes and heart disease and disparities in rural healthcare access.

Simultaneously, Indonesia is tackling climate change and Antimicrobial Resistance (AMR), crucial issues with far-reaching health and economic impacts. For instance, there has been a 96% rise in pneumonia in Maluku and a 227% surge in dengue in Bali-Nusa Tenggara. On AMR, Indonesia's pioneering national action plan aligns with global WHO strategies to combat drug-resistant infections, a threat projected to cost the world USD 1 trillion by 2050.

The Government has also initiated significant reforms under its Health System Transformation Agenda, supported by a USD 650 million Asian Development Bank (ADB) loan as part of a broader USD 4 billion investment. This funding aims to upgrade over 10,000 primary care facilities and 500 laboratories nationwide, enhancing resilience and reducing healthcare inequities. Additionally, President Prabowo Subianto's administration plans preventive programs like free medical check-ups for 52 million people and the construction of 30 new hospitals in 2025.

Foreign investment opportunities are also expanding, particularly in private healthcare, HealthTech, and pharmaceuticals, driven by regulatory reforms. With comprehensive initiatives and increasing private sector involvement, Indonesia's healthcare outlook is promising, aligning with the vision for a 'Golden Indonesia 2045' built on robust human resource development.

Tourism

Indonesia's 2024 Vision: Sustainable Tourism Growth with Ambitious Targets and Eco-Friendly Initiatives

Indonesia's Ministry of Tourism and Creative Economy, under Minister Sandiaga Uno, has set an ambitious target of 14.3 million foreign tourists for 2024, focusing on sustainable and eco-friendly tourism to balance economic growth with environmental conservation. The 2023 tourism rebound saw 1.5 million tourists enter Indonesia through the Riau Islands, marking it as a key international gateway[51].

To support local economies and preserve cultural

[49] *Reuters, October 2024*
[50] *Business Indonesia, October 2024*
[51] *Travel News Daily, January 2024*

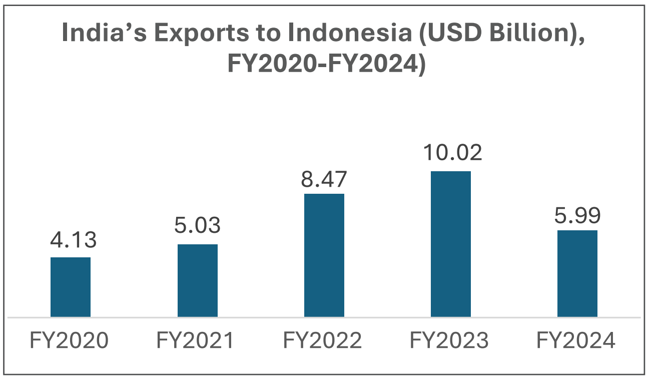
heritage, the Ministry's Jagoan Pariwisata program has empowered over 158 MSMEs across 13 tourist villages since 2022. This initiative provides resources and mentorship for community-based tourism that emphasises sustainable practices and celebrates local culture[52].

In addition, the Tiket Green initiative promotes eco-conscious accommodations, spotlighting hotels committed to practices such as energy efficiency and waste reduction. This approach aligns with Indonesia's goal to minimise tourism's environmental footprint, encouraging travellers to choose responsible options[53].

Indonesia has further enhanced tourist accessibility through a visa-free policy now extended to citizens from 96 countries. Improved digital platforms for bookings and expanded infrastructure in major tourist areas have streamlined travel, attracting a broader global audience. This comprehensive strategy not only aims to increase tourist numbers but also ensures sustainable growth, making Indonesia an attractive, eco-friendly destination while contributing significantly to the local economy[54].

Indonesia – India Trade Dynamics

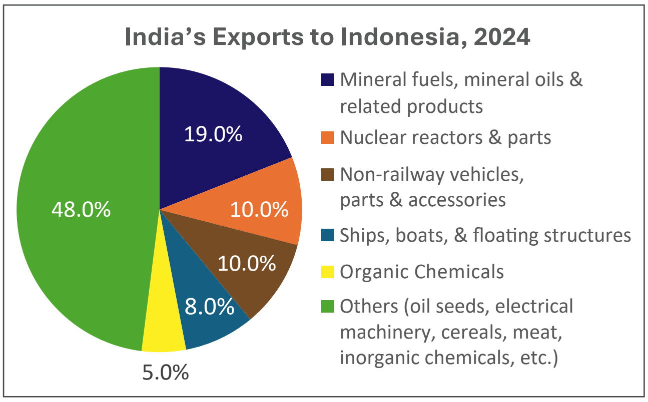
The year 2024 marks 75 years of diplomatic relations between Indonesia and India. Over the years, Indonesia has evolved into a pivotal economic partner for India, serving as the largest trading ally within the ASEAN bloc and a key contributor to bilateral trade dynamics. In FY2023, Indonesia was India's 10th largest export destination, with Indian exports reaching an impressive USD 10.02 billion. While in FY2024 it ranked 21st among India's top trading partners, the country continued to maintain a strong trade presence, with exports valued at USD 5.99 billion. On the import front, Indonesia remained India's 7th largest supplier, contributing USD 23.41 billion in FY2024. Overall, Indonesia is India's 8th largest trading partner, with total trade amounting to USD 29.40 billion in 2023-24[55].

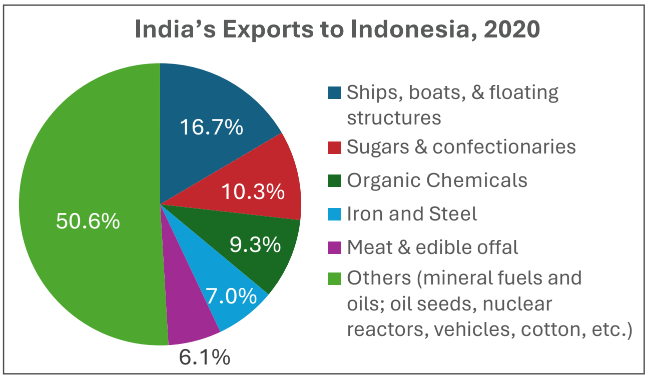


Note: 4-digit HS codes have been considered for the analysis. All figures are rounded off.
India's Exports to Indonesia (USD Billion), FY2020-FY2024)

From Indonesia's perspective, India holds equal strategic significance, being its 5th largest trade partner, 4th largest export destination, and 9th largest source of imports[56]. India is the second-largest buyer of Indonesian coal and crude palm oil[57], two of its staple commodities. Such a robust economic partnership highlights the mutual importance of India-Indonesia trade relations in driving regional and global economic growth.

India and Indonesia have a dynamic trade relationship marked by significant changes in trade volumes and the composition of traded goods from FY2020 to FY2024. Over these five years, India's exports to Indonesia saw noticeable growth, peaking at ~USD 10.0 billion in FY2023 before declining to ~USD 5.99 billion in FY2024.

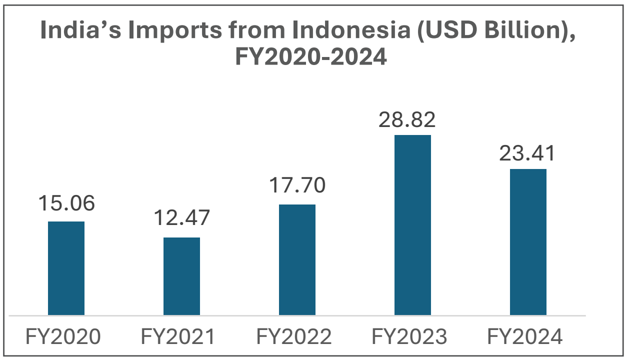




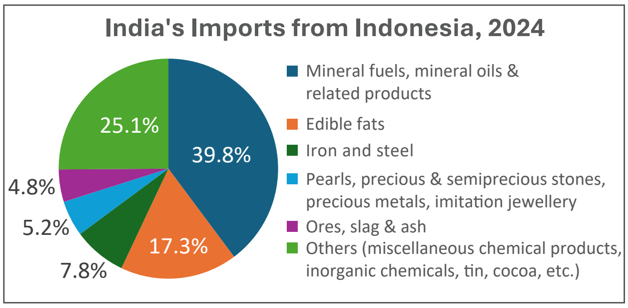
Note: 2-digit HS codes have been considered for the analysis. All figures are rounded off.
Source: Ministry of Commerce and Industry, Department of Commerce, Government of India

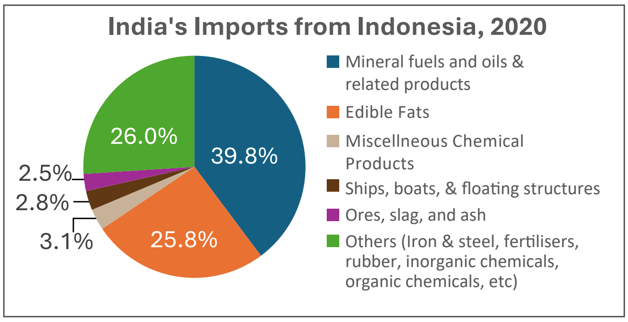
[52] *The Jakarta Post, September 2024*
[53] *The Jakarta Post, September 2024*
[54] *Times of India, October 2024*
[55] *Ministry of Commerce and Industry, Department of Commerce, Government of India*
[56] *Ranking based on data from Badan Pusat Statistik (BPS-Statistics Indonesia)*
[57] *Embassy of India, Jakarta, Indonesia*

Conversely, India's imports from Indonesia also showed fluctuations, with a sharp rise to USD 28.82 billion in FY2023, followed by a decrease to USD 23.41 billion in FY2024.



Note: 4-digit HS codes have been considered for the analysis.
Source: Ministry of Commerce and Industry, Department of Commerce, Government of India





Note: 2-digit HS codes have been considered for the analysis. All figures are rounded off.
Source: Ministry of Commerce and Industry, Department of Commerce, Government of India

India's imports from India have remained largely the same since 2020. However, the composition of exports has noticeably changed. Exports of mineral fuels and oils rose to 19% from a previously negligible share, reflecting Indonesia's increasing energy demands and India's strategic export focus. Conversely, organic chemicals and sugars, previously significant, saw reduced shares, potentially because of India's export restrictions to ensure domestic availability and Indonesia's diversification of import sources.

Indonesia – India Investment Flows

India continues to strengthen its economic ties with Indonesia, with Foreign Direct Investment (FDI) flows from India reaching USD 275.4 million in 2023, spanning 1,457 projects. This marks significant growth, as the number of projects increased from 465 in 2021 to 739 in 2022, and further to 1,457 in 2023. FDI inflows also grew steadily, rising from USD 49.60 million in 2021 to USD 127.60 million in 2022, reflecting India's growing economic engagement with Indonesia. In 2023, India ranked as Indonesia's 14th largest foreign investor, reflecting its role as an important partner in Indonesia's economic development[58]. India's investments in Indonesia span across banking, IT, and energy sectors. Indonesia has welcomed Indian investments, particularly encouraging participation in its ambitious new capital project and key sectors such as automotive and pharmaceuticals.

Reciprocally, Indonesia has cumulatively invested USD 653.83 million in India from April 2000 to December 2023[59].

[58] *Based on data from Badan Pusat Statistik (BPS-Statistics Indonesia)*
[59] *Ministry of Commerce and Industry, Department for Promotion of Industry and Internal Trade, Government of India*

> "When it comes to India and Indonesia, you know, there are a lot of things that we shared in common, not just the alphabet I with which country names begin, or even the location, the fact that we are close to each other, or even that we are large countries with enormous diversity."
>
> Dr. S. Jaishankar,
> Hon'ble Minister of External Affairs, Government of India

Key Agreements and Initiatives

Comprehensive Strategic Partnership (2018)	Expanded defence and security collaborations; emphasised maritime cooperation in the Indo-Pacific, mutual logistic support, and maritime surveillance. Includes annual naval exercises like Samudra Shakti.
ASEAN-India Free Trade Agreement (AIFTA)	Instrumental in reducing tariffs and increasing market access, enhancing trade and investment flows between India and Indonesia.
Economic and Financial Dialogue (EFD)	Established in July 2023 to enhance bilateral cooperation in trade, investment, financial services, and infrastructure.
Real-Time Payments and Local Currency Trade	Plans to introduce local currency trade settlements and real-time payments using India's UPI system for seamless transactions.
Energy Sector Collaboration	Focus on coal, oil, gas, renewable energy, and energy conservation; India is a major investor in Indonesia's coal industry.
Agriculture and Food Security	Collaboration on food security, including potential white rice supply agreements and strengthened trade in spices.
Technology and Digital Infrastructure	Robust presence of Indian IT firms (TCS, Tech Mahindra, HCL); focus on digital transformation and IT sector development.
Enhanced Connectivity	Improved air connectivity with direct flights and expanded airline networks to boost trade and tourism.

OUTLOOK

Indonesia's economic trajectory is marked by optimism and resilience, underpinned by robust growth projections and structural transformations aimed at achieving high-income status by 2045. As Southeast Asia's largest economy, the nation continues to demonstrate its ability to navigate external challenges, including commodity price volatility and shifts in global financial conditions. With the World Bank forecasting an average GDP growth rate of 5.1% from 2024 to 2026, Indonesia's economic performance is supported by strong domestic demand, increased business investments, and rising public spending.

Central to Indonesia's economic strategy is its focus on value addition and industrial advancement. Policies such as the 2020 ban on raw nickel ore exports, despite international pushback, have successfully boosted domestic manufacturing, especially in refined nickel and stainless-steel production. These measures not only enhance Indonesia's industrial capacity but also signal its commitment to advancing high-growth industries

> "The target in 2045 is to lower logistics costs to 9% of the GDP."
>
> Suharso Monoarfa,
> Hon'ble Minister of National Development Planning,
> Government of Indonesia

critical for its economic future. However, broader diversification and reducing sectoral concentration in manufacturing will be essential to sustain long-term growth.

Indonesia's macroeconomic stability remains a key strength, attracting significant investment inflows despite global headwinds. Prudent fiscal and monetary policies, including Bank Indonesia's recent benchmark interest rate adjustments to stabilise the currency and curb inflation, have ensured resilience. Inflation management, particularly food price stability, is critical, as recent upticks driven by adverse climate conditions demonstrate the need for robust agricultural policies and diversification of food supplies.

Looking ahead, Indonesia's future hinges on addressing structural challenges and embracing reforms that enhance competitiveness and inclusivity. Regional income disparities, limited labour mobility, and an informal labour market pose barriers to equitable growth. Investments in human capital, including education, vocational training, and social safety nets, will play a vital role in bridging these gaps. Improved labour formalisation, alongside infrastructure development, can unlock productivity and broaden economic opportunities, especially as Indonesia seeks to deepen its integration into global markets.

The Government's commitment to fiscal rationalisation, social investments, and infrastructure expansion positions the country well to navigate global uncertainties. The Financial Sector Omnibus Law strengthens regulatory frameworks, bolstering financial stability, while strategic public investments aim to support long-term growth. As the IMF notes, Indonesia's recovery trajectory is promising, provided reforms continue to improve the business environment, reduce trade barriers, and attract foreign direct investment.

Indonesia's ambitions for 2045 are clear: to be a high-income, globally competitive nation. Achieving this vision will require balancing domestic policy priorities with external economic dynamics. By leveraging its youthful population, rich natural resources, and strategic location, Indonesia has the potential to emerge as a global economic leader. However, success will depend on sustained efforts to enhance productivity, ensure inclusivity, and foster resilience, laying the foundation for a dynamic and prosperous future.

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RECENT CREDIT RATINGS FOR INDONESIA

Date	Credit Rating Agency	Outlook	Brief Details
May 2024	Moody's	Moody's Confirms Indonesia's 'Baa2' Rating; Maintains Stable Outlook	Moody's Ratings has affirmed Indonesia's long-term issuer ratings at Baa2 with a stable outlook due to the country's economic resilience, underpinned by abundant natural resources and strong demographics which support stable GDP growth. The rating acknowledges Indonesia's disciplined fiscal and monetary policies that maintain macroeconomic stability and manage debt levels effectively, although challenges remain due to a low revenue base and moderate carbon transition risks from its significant exports of palm oil and coal. The stable outlook reflects a balance between potential economic gains from manufacturing expansion and risks of policy shifts following political transitions, indicating steady creditworthiness in the medium term.
February 2024	Fitch Ratings, Inc.	Fitch Affirms Indonesia at 'BBB'; Outlook Stable	Fitch Ratings affirms Indonesia's 'BBB' rating with a Stable Outlook, reflecting a balance between strong medium-term growth prospects and a low government debt-to-GDP ratio against challenges like weaker government revenue and lagging governance indicators. The outlook is supported by strong domestic investment and controlled inflation, alongside a prudent fiscal policy stance that manages external and fiscal risks effectively.
March 2024	S&P Global Ratings	Indonesia Ratings Affirmed At 'BBB/A-2'; Outlook Stable	Indonesia maintains a 'BBB/A-2' sovereign credit rating with a stable outlook, reflecting robust economic fundamentals and prudent fiscal management. The nation's economic resilience is supported by the ongoing development of commodity-related industries and a consistent government deficit close to 3% of GDP. This fiscal discipline helps sustain Indonesia's external metrics, ensuring a balanced growth trajectory aligned with the Government's strategic initiatives.

Source: S&P Global Ratings, Fitch Ratings Inc., and Moody's country ratings

ABOUT RUBIX:

Rubix Data Sciences Pvt. Ltd. helps you to take prudent credit risks, build a robust supply chain and monitor compliance for your business partners in India and around the world. Rubix helps you collect payments in time from your debtors, helping generate predictable cash flows.

Set up by highly experienced Risk Professionals, the company has been recognised at the IMC Digital Technology Awards in 2020 for the Rubix ARMS™ platform, and in 2021 for the Rubix Early Warning System (EWS). Rubix has received the prestigious ET BFSI Exceller Award 2023 in recognition of its ground-breaking analytics initiative, 'SME Income Range Estimation and Financial Ratio Benchmarking.'

Rubix has been appointed as India's first Validation Agent for the Legal Entity Identifier (LEI) by Legal Entity Identifier India Ltd, the Local Operating Unit accredited by the Global Legal Entity Identifier Foundation (GLEIF), Switzerland.

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