



RECENT DEVELOPMENTS AND NAVIGATING INDONESIA ECONOMIC GROWTH THROUGH NEW SOURCES OF GROWTH

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Digitalization as an Opportunity for Inclusive
Growth in Asia and the Pacific

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- 02 Domestic Economic Development**
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01

GLOBAL ECONOMIC DEVELOPMENT

HIGHLIGHT (1/3): GLOBAL UNCERTAINTY DUE TO RISING GEOPOLITICAL TENSIONS

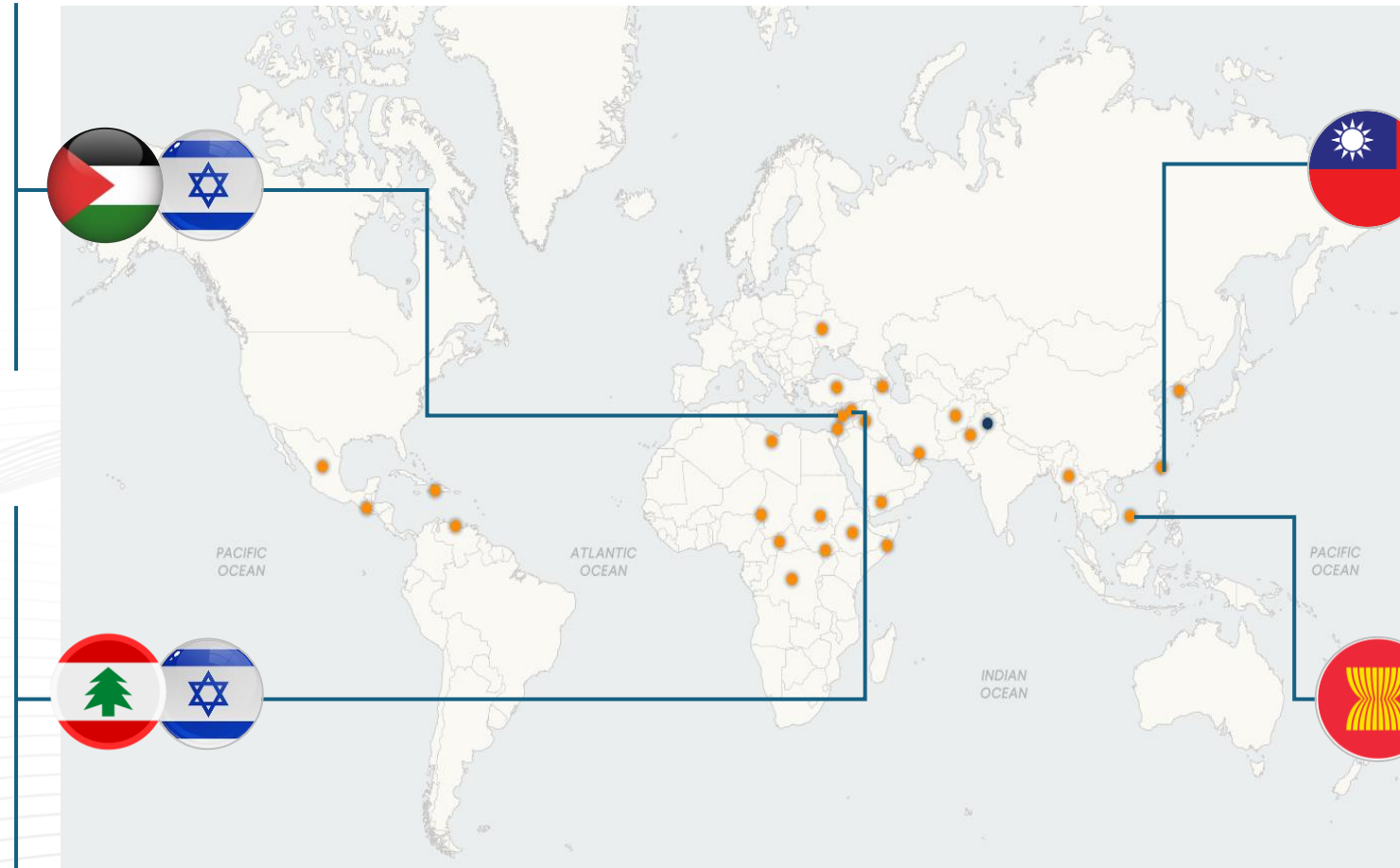
During 2022-2024, several geopolitical tensions have generated impacts on Indonesian economy, such as surge of global energy prices due to Russia-Ukraine War. Furthermore, there are potential impacts of geopolitical tensions in South China Sea and the most recent Middle-East conflict between Israel, Palestine, and Lebanon

Israel-Palestine War

The impact of this conflict to world oil prices are relatively limited. However, this geopolitical tension would potentially devastate both Israel and Palestine economies due to high costs of war and several social issues, such as hunger and drought.

Israel-Lebanon War

The impact of this war towards world oil prices resemble to those of Israel-Palestine war. Yet, this geopolitical tension worsen Lebanon's fragile economy and reduces Israel's economic performance.



Taiwan Geopolitical Tension

Taiwan's geopolitical tension would potentially exacerbate Indonesia's trade performance with China due to high share of export-import. In addition, this phenomenon would also hamper Indonesia's trade route and alter trade partner's demand pattern.

South China Sea Geopolitical Tension

Similar to Taiwan's geopolitical tension, this would potentially disrupt Indonesia's supply chain and hamper exports, since this conflict involves Indonesia's trade partner, including Malaysia, Philippines, Thailand, and Brunei.

Source: Council of Foreign Relations

HIGHLIGHT (2/3): US PRESIDENTIAL ELECTIONS AND CHINA ECONOMIC DOWNTURN

US PRESIDENTIAL ELECTIONS



Kamala Harris Economic Policy Highlight

- Increasing house affordability
- Providing tax incentives
- Controlling medicine prices
- Clean energy initiatives

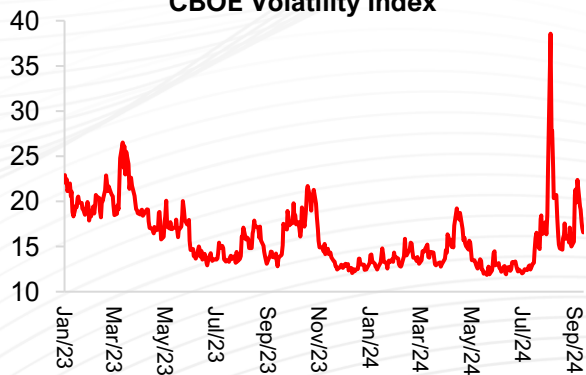


Donald Trump Economic Policy Highlight

- Reducing corporate taxes to 15%
- Increasing tariffs of imported goods
- Eliminate social security taxes
- Mass deportations of migrants

Potential Impact on Domestic Economy

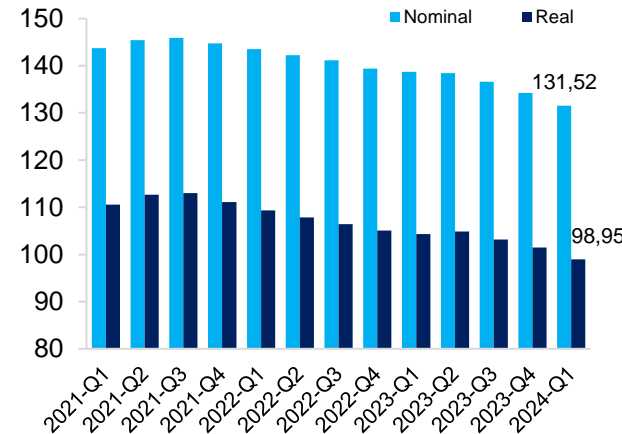
CBOE Volatility Index



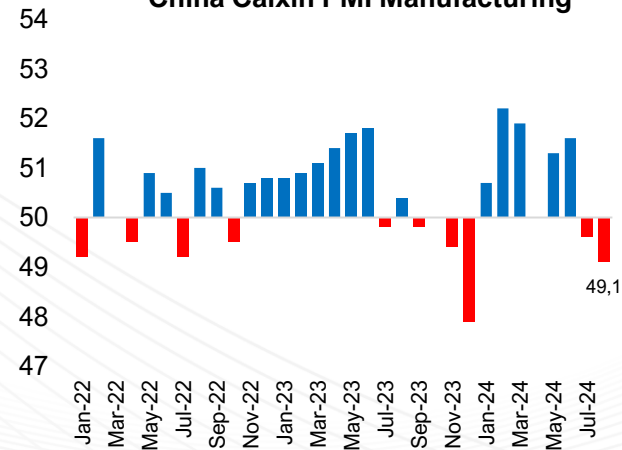
- Higher uncertainty within Financial Markets, including Indonesia
- Higher Export Tariffs to United States
- Higher volatility of USD/IDR exchange rate

CHINA ECONOMIC DOWNTURN

China Residential Property Price Index (2010=100)



China Caixin PMI Manufacturing



- Currently, China economy is facing several downturns, due to housing prices declining trend.
- In nominal terms, China's Nominal Residential Property Prices Index is contracted by 5.2 percent (yoy) due to ineffective policies.
- Furthermore, as of August 2024, China manufacturing sector remained in contraction zone, about 49.1 or contracted by 2.6 percent (yoy).
- Two root causes of China's manufacturing deceleration, driven by (i) declining domestic demand and (ii) weakening labor market.

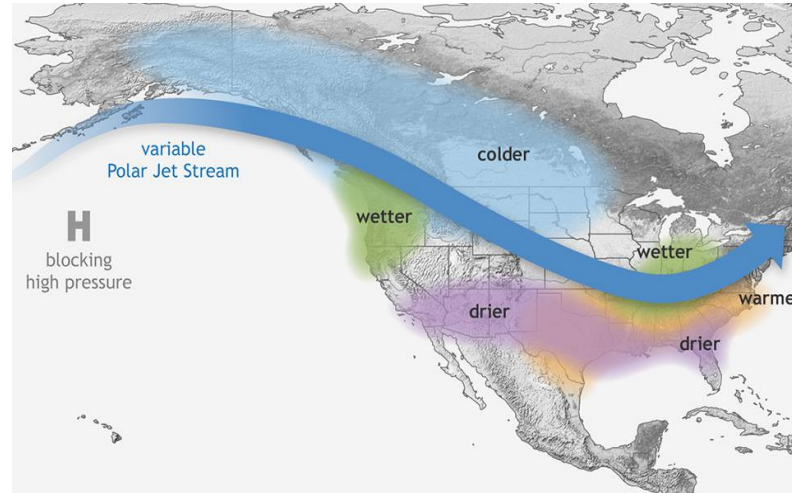
Source:
Bank for International Settlements;
Bloomberg (2024)

Yagi Super Typhoon



- Yagi super typhoon has inflicted environmental damages on Southern part of China, as well as some part of Southeast Asia, including Vietnam, Thailand, Myanmar, and Laos.
- In Vietnam **approximate economic damage to Viet Nam is around US\$1.63 Billion** and potentially reducing 2024 economic growth by 0.15 percent.

La Nina



- La Nina generates higher intensity of rain, particularly in Asia and Australia and would increase sea level;
- Indonesia is predicted to enter rainy season in October 2024, and **La Nina potentially alters planting and harvest seasons, thereby affecting agriculture productivity.** La Nina is also predicted to increase the prevalence of plant disease.

Source: Vietnam Briefing, CNBC Indonesia, PR Indonesia

Megathrust

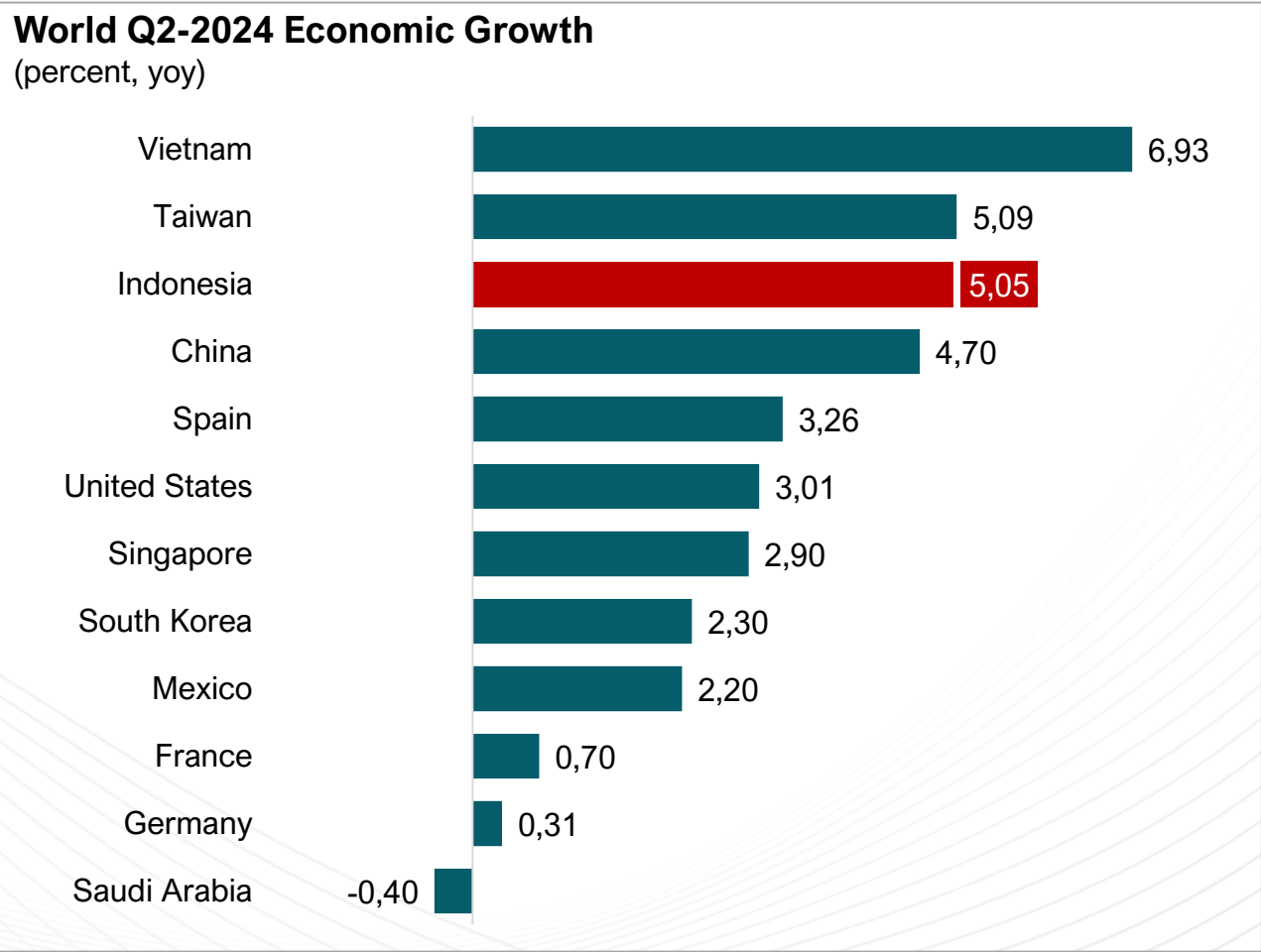


- **Around 13 areas will potentially affect by Megathrust, including East Java, West and Central Java, and Sunda Strait.**
- Megathrust would potentially generate detrimental impact on the economy by **hampering economic activity due to devastated infrastructure.**

INDONESIA'S Q2-2024 ECONOMIC GROWTH IS HIGHER COMPARED TO OTHER COUNTRIES

Most of advanced economies, including United States, Singapore, Spain, and Euro Zone Q2-2024 economic growth are higher than market consensus, while Emerging and Developing Economies experienced lower economic growth. Nevertheless, Indonesia's Q2-2024 economic growth is higher compared to other countries.












Q2-2024 GDP Growth			
Country	Q2-2024	Market Consensus	Difference from Consensus
Indonesia (% , yoy)	5,05	5,0	+0,05
Singapore (% , yoy)	2,9	2,7	+0,2
China (% , yoy)	4,7	5,1	-0,4
South Korea (% , yoy)	2,3	2,5	-0,2
Mexico (% , yoy)	2,2	2,0	-0,2
Spain (% , qoq)	0,8	0,5	+0,3
Euro Zone (% , qoq)	0,3	0,2	+0,1
France (% , qoq)	0,3	0,2	+0,1
Germany (% , qoq)	-0,1	0,1	-0,2
Italy (% , qoq)	0,2	0,2	=0,0
United States (% , qoq)	2,8	2,0	+0,8



Source: Trading Economics (2024), CEIC (2024)

OPTIMISM SOAR AS Q2 REALIZATION HIGHER THAN MARKET CONSENSUS

World economic growth for 2024 is projected between 2.6 – 3.2 percent and 2.7 – 3.3 percent for 2025. These projections are driven by economic growth of emerging countries, such as Vietnam and India. In addition, Indonesia's economic growth is predicted to be 5.0-5.1 percent for 2024 and 5.1-5.2 percent in 2025.

World Economic Growth Projection for 2024-2025								
	IMF (JUL 24)		WB (JUN 24)		ADB (SEP 24)		OECD (MAY 24)	
	2024	2025	2024	2025	2024	2025	2024	2025
World	3,2	3,3[^]	2,6[^]	2,7	-	-	3,1[^]	3,2[^]
Major Economies	1,7	1,8	1,5[^]	1,7[^]	-	-	-	-
 Amerika Serikat	2,6*	1,9	2,5 [^]	1,8 [^]	2,4 [^]	1,7	2,6 [^]	1,8 [^]
 Euro Area	0,9	1,5	0,7	1,4*	0,8 [^]	1,4	0,7 [^]	1,5 [^]
 Jepang	0,7*	1,0 [^]	0,7*	1,0 [^]	0,4*	1,0 [^]	0,5*	1,1 [^]
Emerging Markets	4,3[^]	4,3[^]	4,0*	4,0[^]	-	-	-	-
 China	5,0 [^]	4,5 [^]	4,8 [^]	4,1*	4,8	4,5	4,9 [^]	4,5 [^]
 Indonesia	5,0	5,1	5,0[^]	5,1[^]	5,0	5,0	5,1	5,2
 Vietnam	-	-	5,5 [^]	6,0*	6,0	6,2	-	-
 Thailand	2,9 [^]	3,1 [^]	2,4*	2,8*	2,3*	2,7*	-	-
 Malaysia	4,4	4,4	4,3 [^]	4,4 [^]	4,5	4,6	-	-
 Filipina	6,0*	6,2	5,8	5,9 [^]	6,0	6,2	-	-
 Brazil	2,1*	2,4 [^]	2,0 [^]	2,2	-	-	1,9 [^]	2,1 [^]
 India	7,0 [^]	6,5	6,6 [^]	6,7 [^]	7,0	7,2	6,6 [^]	6,6 [^]

Source: IMF WEO (Jul, 2024), World Bank GEP (Jun, 2024), ADB ADO (Sep, 2024), OECD Report (May, 2024)

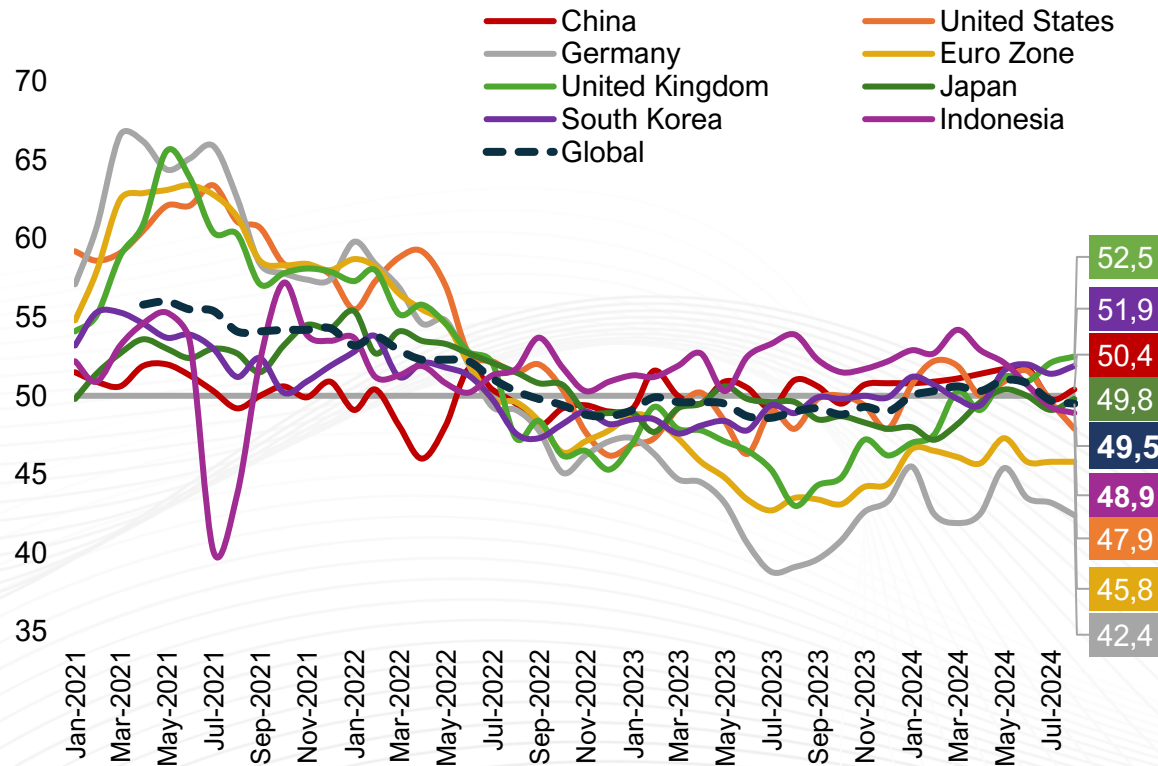
Information: [^]) Higher than prior projection
^{*}) Lower than prior projection

GLOBAL MANUFACTURING HAS DECELERATING, YET SERVICES SECTOR REMAIN RESILIENCE

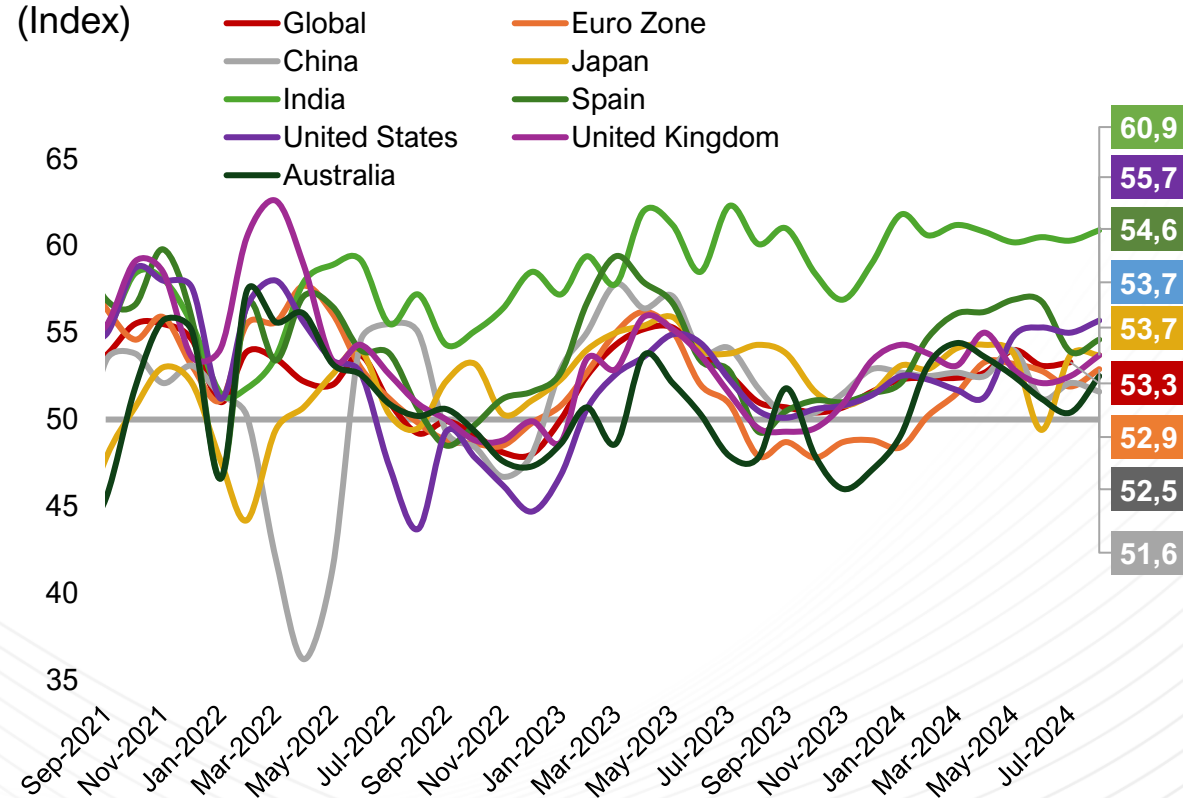
Based on PMI Index, global manufacturing sector is currently decelerating due to weak global demand and economic uncertainty. Indonesia PMI Manufacturing also remain in contraction zone since July

However, it is essential to note that global services activities are remain resilience, reflected by high PMI Services for all countries and remain within expansion zone.

PMI Manufacturing (Index)



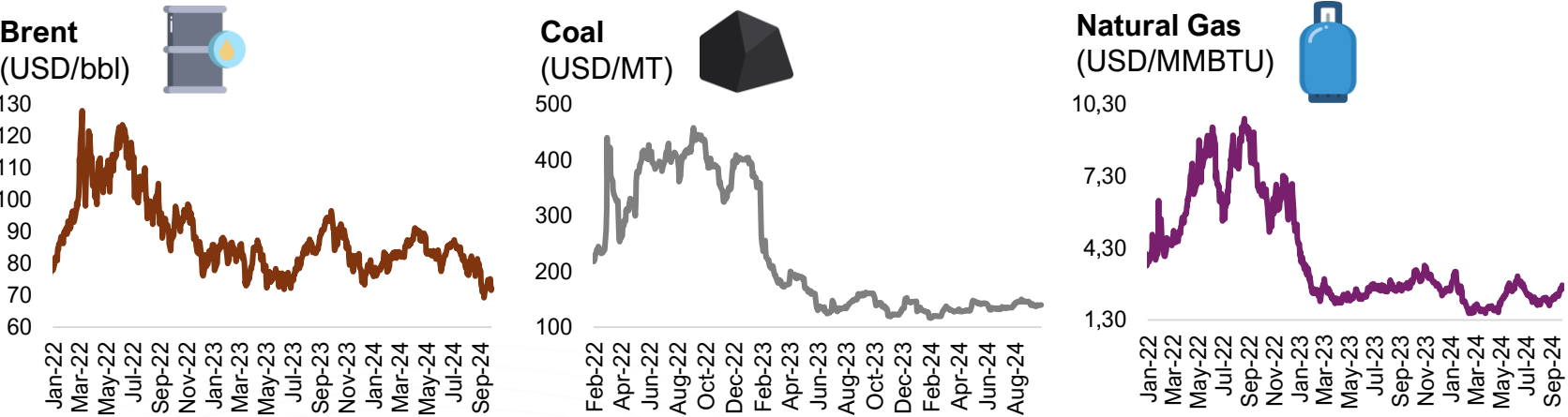
PMI Services (Index)



Source: Bloomberg (2024)

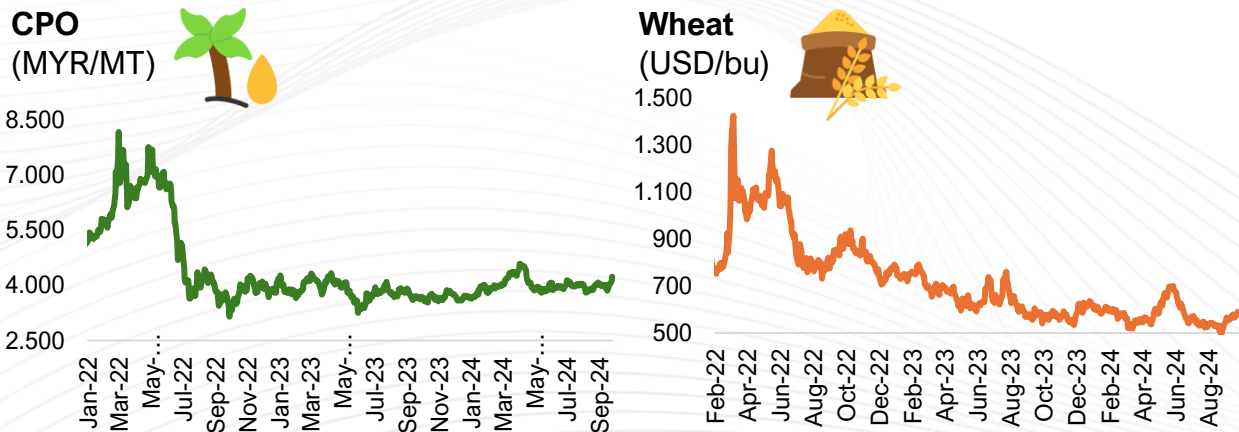
Global commodity prices has showed normalization, with lower volatility in 2024.

Energy Commodity Prices Trend

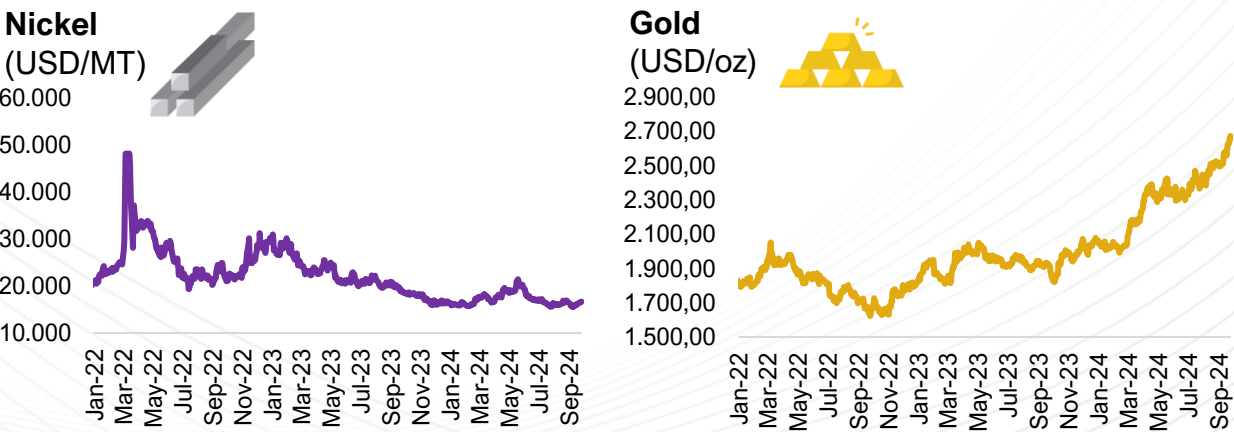


Commodity Prices Outlook	Unit	2023	Outlook 2024
Brent Crude Oil	USD/Bule Barrel	82,62	84,0
Coal	USD/Metric Ton	172,78	134,0
Natural Gas	USD/Million British Thermal Unit	2,54	3,3
CPO	USD/Metric Ton	886,45	853,86
Wheat	USD/Metric Ton	644,1	605,0
Nickel	USD/Metric Ton	21.521,12	27.540
Gold	USD/Ounce	1.742,67	2.268,0

Agriculture Commodity Prices Trend



Metal Commodity Prices Trend

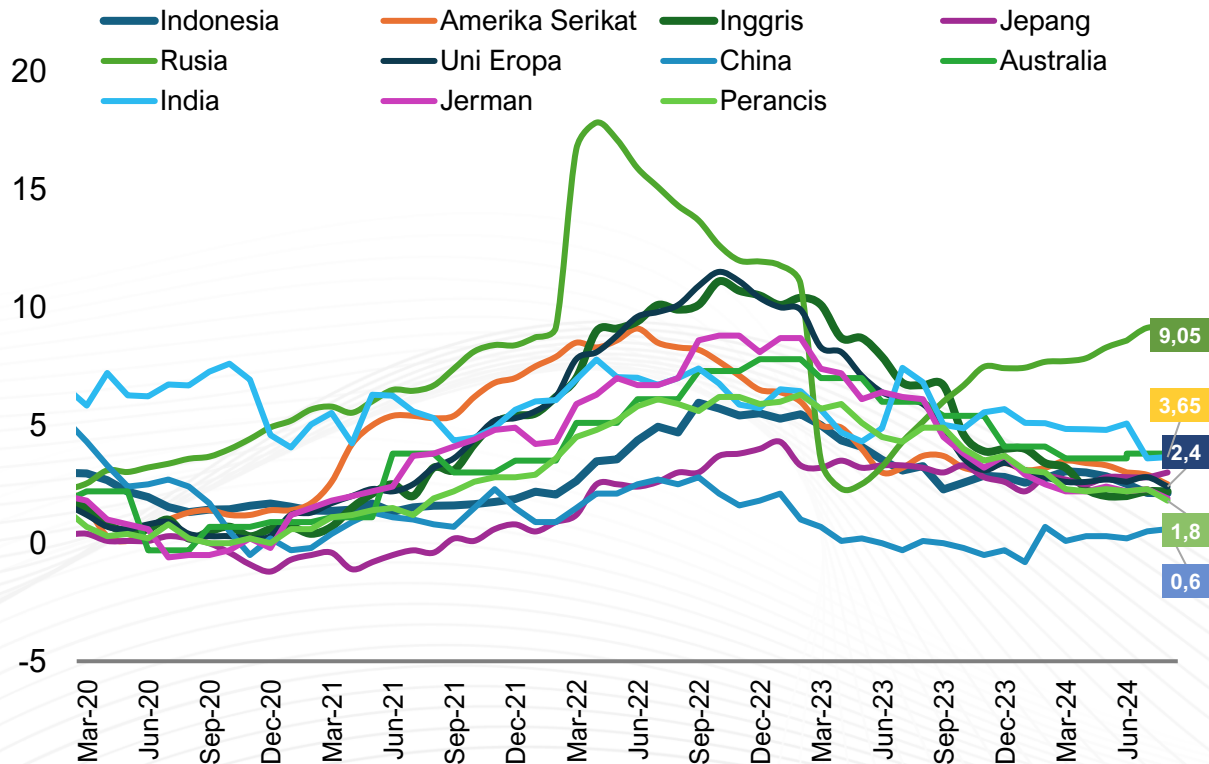


Source: Bloomberg (September 27th, 2024), World Bank Commodity Markets Outlook (April 2024)

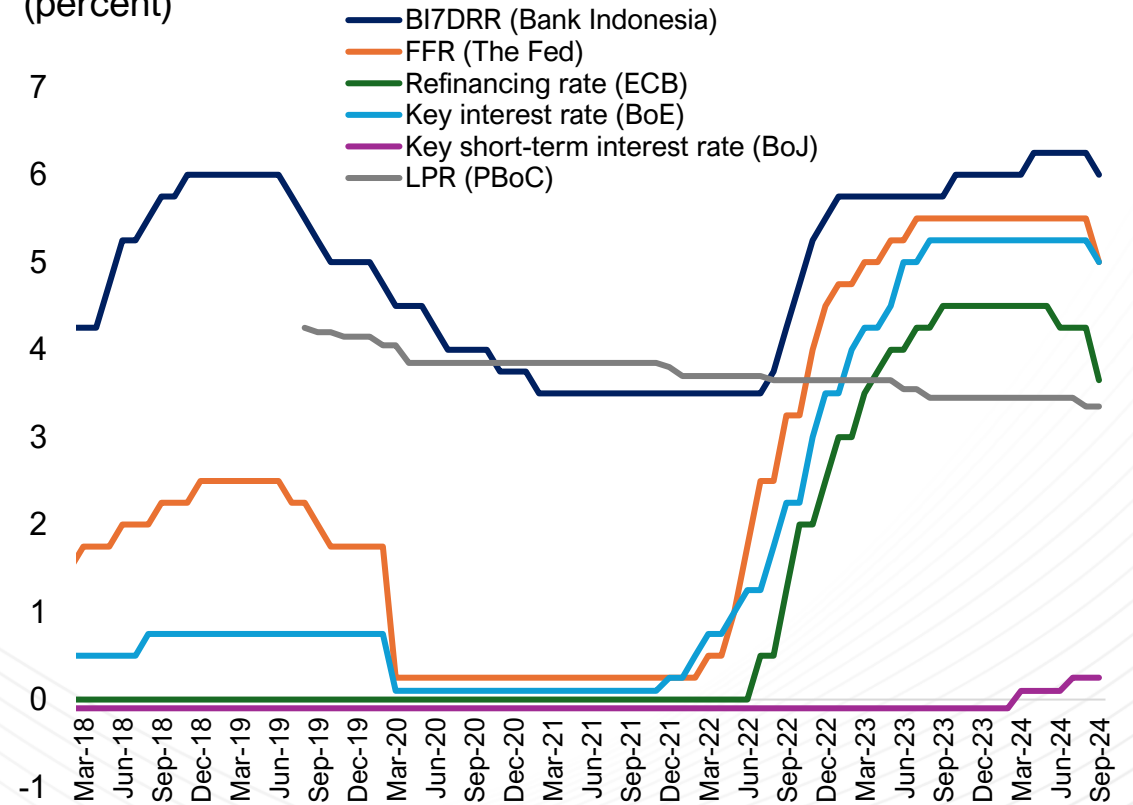
GLOBAL INFLATION RATE SHOWS DOWNWARD TREND, IN LINE WITH CENTRAL BANK MONETARY POLICY RELAXATION

Global inflation rate shows downward trend and successfully within many Central Bank target about 2 percent. Most of global Central Banks have also reduced their interest rate in the second semester of 2024, with the most recent reduction from The Fed by 0,5 percentage points in September 2024.

Global Inflation Rate
(percent, yoy)



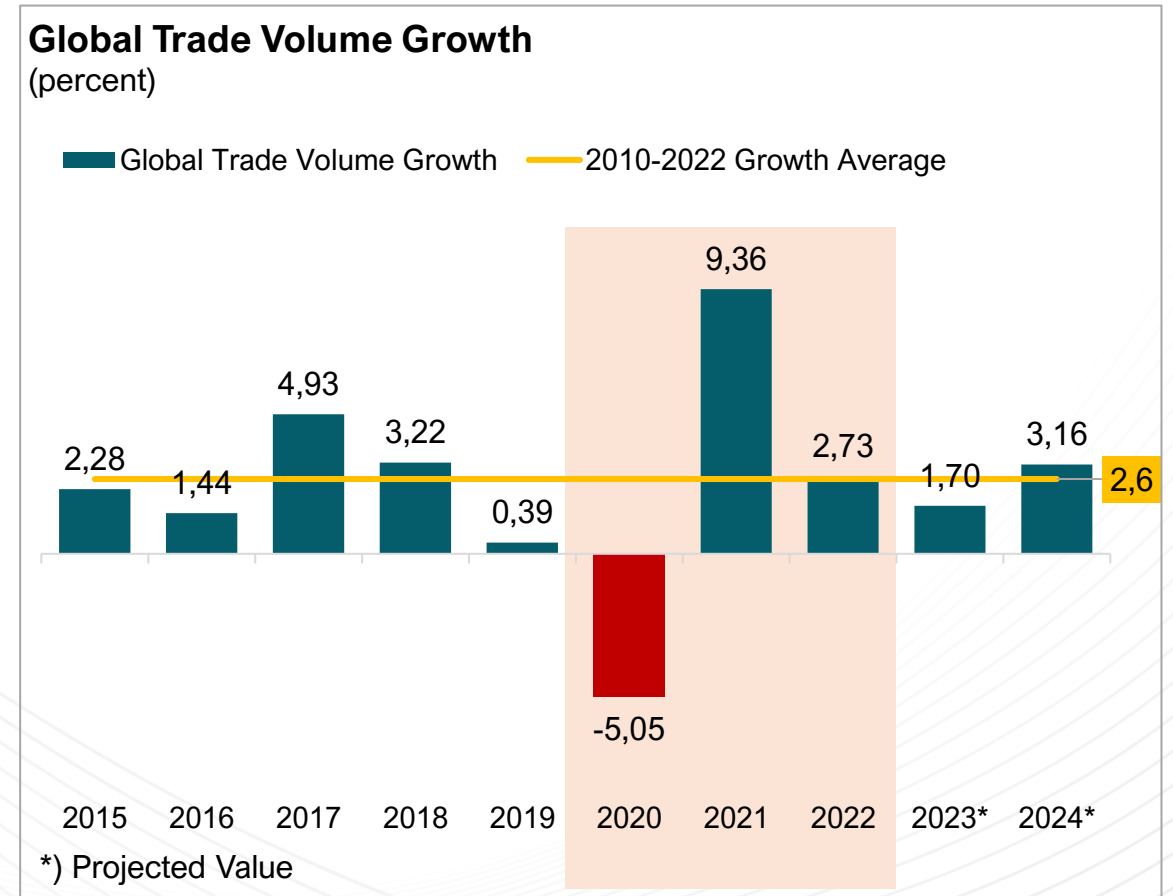
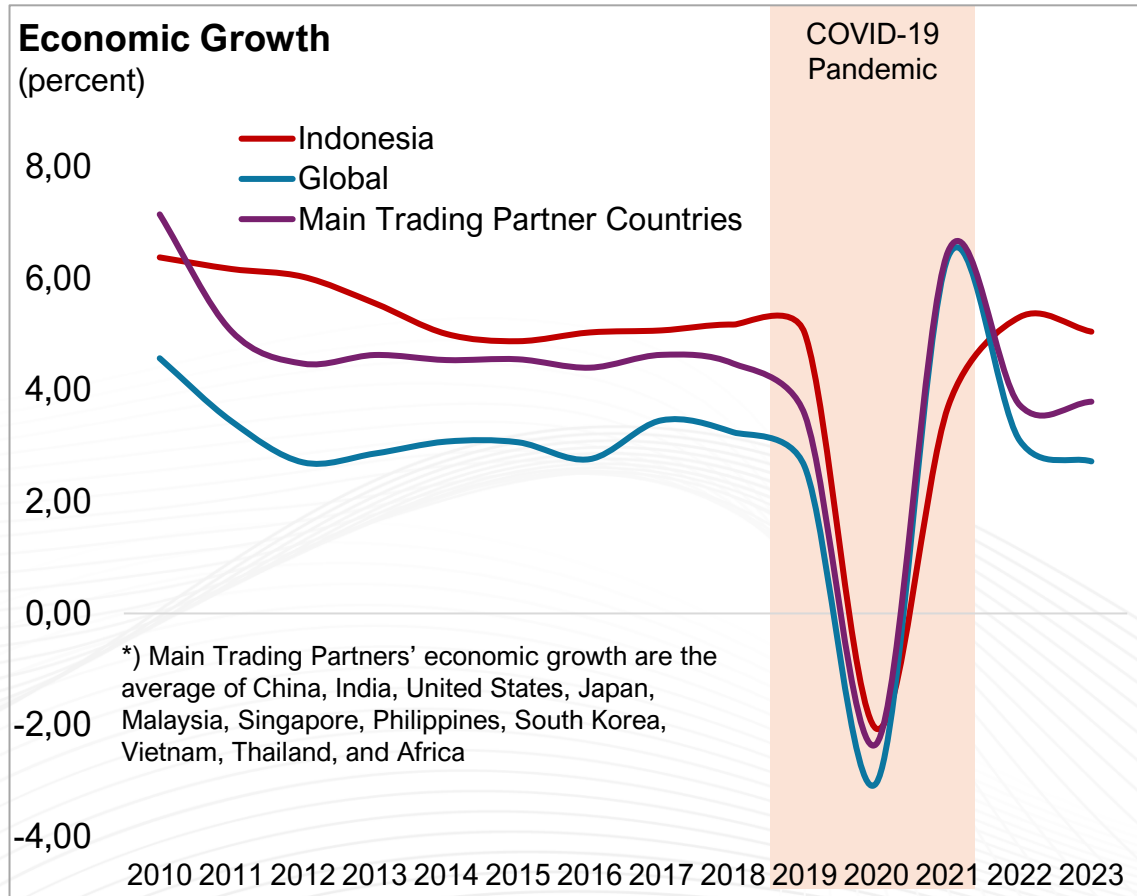
Global Policy Interest Rate
(percent)



Source: Bloomberg (2024)

BESIDES EFFORT TO ENHANCE DOMESTIC ECONOMY, RISING GLOBAL RISKS NEEDS TO BE CONSIDERED

The global economy, especially main trading partners of Indonesia have significant impact on domestic economy, for example during COVID-19 pandemic. Mobility restriction policy is one of examples that hampered global trade volume and demand, thereby disrupting both global and domestic economies.



Source: BPS (2024), Oxford Economic Database (2024), WTO (2023)

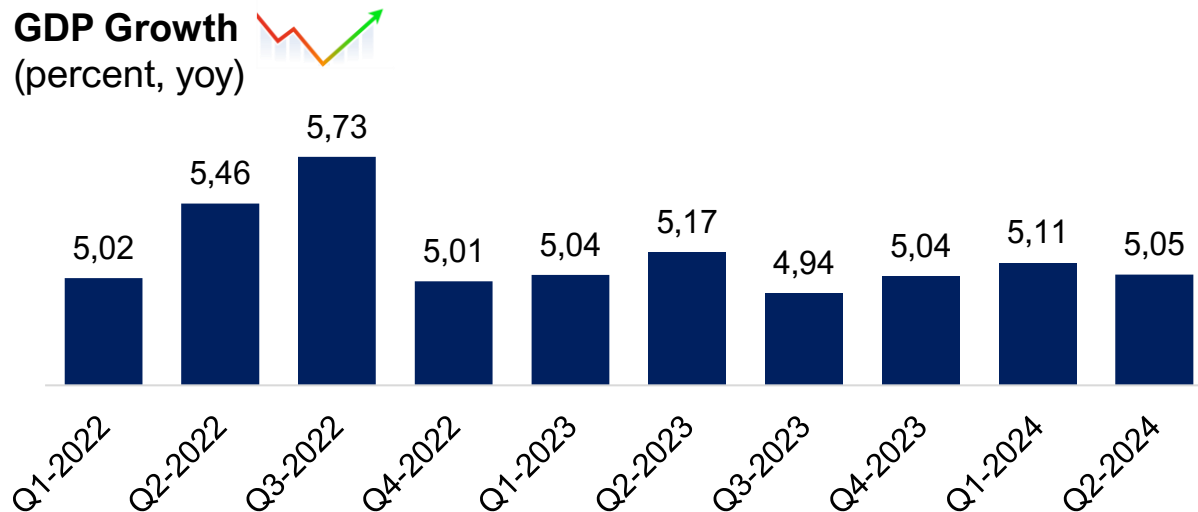


02

DOMESTIC ECONOMY DEVELOPMENT

THE ECONOMY CONTINUE ITS STEADY GROWTH ABOVE 5,0 PERCENT

GDP Growth (percent, yoy)



GDP by Expenditure (percent, yoy)

Source: BPS

	2023				2024	
	Q1	Q2	Q3	Q4	Q1	Q2
Household Consumption	4,53	5,22	5,05	4,47	4,91	4,93
NPISH Consumption	6,16	8,59	6,18	18,11	24,29	9,98
Government Consumption	3,31	10,47	-3,93	2,81	19,90	1,42
Investment/GFCF	2,11	4,63	5,77	5,02	3,79	4,43
Export	11,74	-2,91	-3,91	1,64	0,50	8,28
Import	4,15	-3,23	-6,75	-0,15	1,77	8,57

In the midst of global uncertainty, Indonesia continue its steady growth above 5,0 percent. From expenditure side, growth is driven by increased mobility and government consumption. From sectoral side, sectors with large contribution to GDP like manufacturing, agriculture, trade, and construction recorded positive growth.

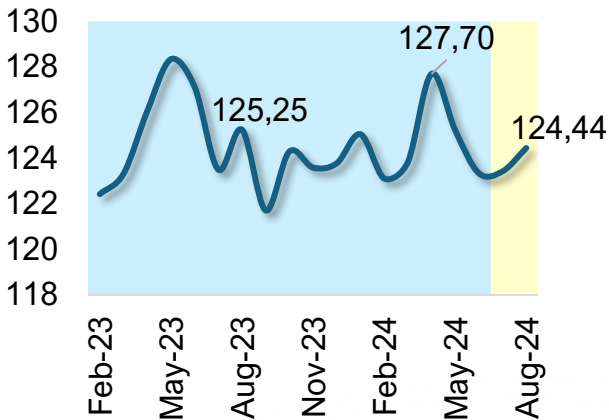
GDP by Sector (percent, yoy)

	2023				2024	
	Q1	Q2	Q3	Q4	Q1	Q2
Agriculture, Forestry and Fisheries	0,44	2,03	1,49	1,12	-3,54	3,25
Mining and Quarrying	4,92	5,01	6,95	7,46	9,31	3,17
Manufacturing Industry	4,43	4,88	5,19	4,07	4,13	3,95
Electricity and Gas Supply	2,67	3,15	5,06	8,68	5,35	5,39
Water Supply, Sewage, Waste and Recycling Management	5,69	4,78	4,49	4,66	4,44	0,84
Construction	0,32	5,23	6,39	7,68	7,59	7,29
Wholesales and Retail Trade, Repair of Motor Vehicles and Motorcycles	4,94	5,29	5,10	4,09	4,58	4,86
Transportation and Storage	15,93	15,28	14,74	10,33	8,65	9,56
Accommodation and Food Beverages Activity	11,54	9,91	10,94	7,89	9,39	10,17
Information and Communication	7,11	8,03	8,51	6,74	8,39	7,66
Financial and Insurance Activity	4,45	2,86	5,24	6,56	3,91	7,90
Real Estate	0,37	0,96	2,21	2,18	2,54	2,16
Business Services	6,37	9,59	9,37	7,62	9,63	7,96
Public Administration, Defense and Compulsory Social Security	2,10	8,16	-6,24	1,61	18,88	2,79
Education Services	1,02	5,43	-2,07	2,63	7,34	2,38
Human Health and Social Work Activity	4,77	8,28	2,91	3,09	11,64	8,56
Other Services	8,90	11,89	11,14	10,15	8,92	8,85

PRIVATE CONSUMPTION INDICATORS ARE SLIGHTLY INCREASING

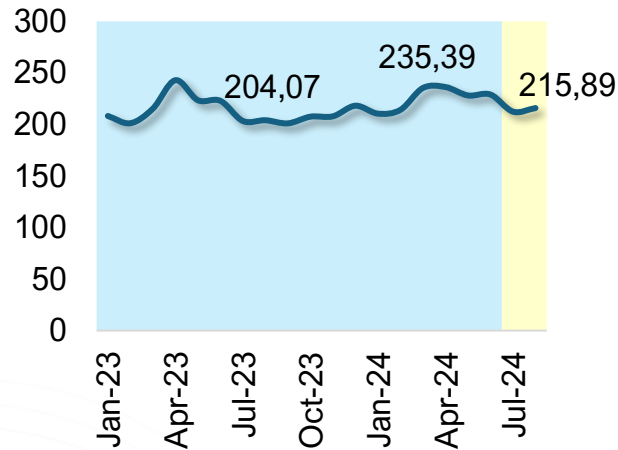
1. Consumer Confidence Index

(Index)



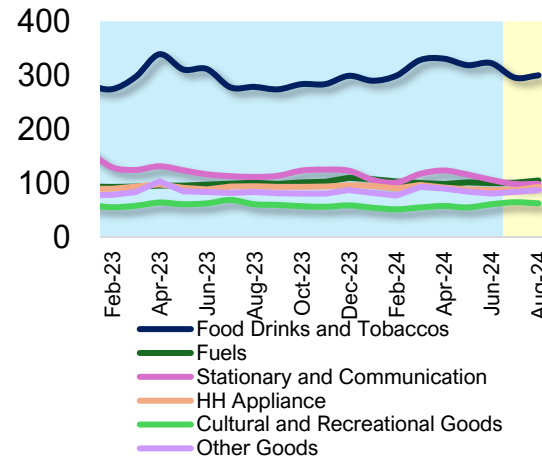
2.a. Retail Sales Index (RSI)

(Index)



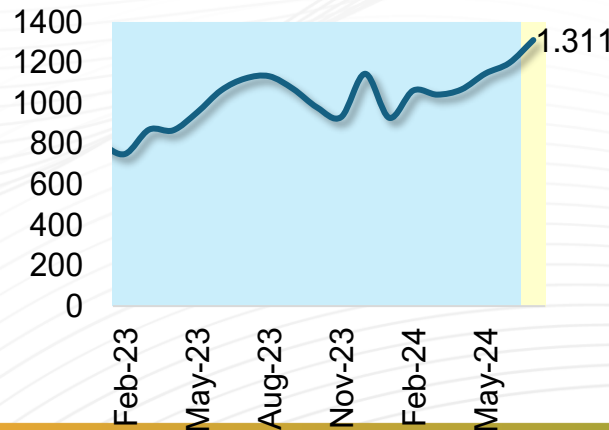
2.b. RSI By components

(index)



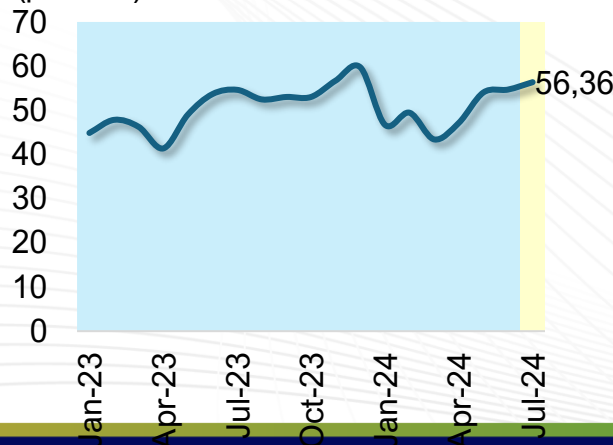
3.a. Visitors Arrival

(visitor, thousands)



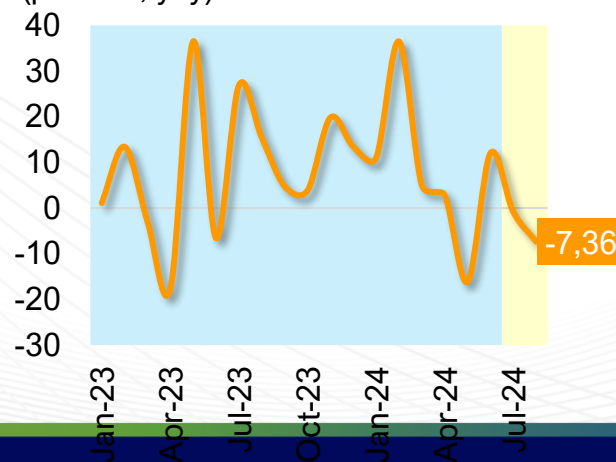
3.b. Hotel Room Occupancy Rate

(percent)



4. Consumption Goods Import

(percent, yoy)



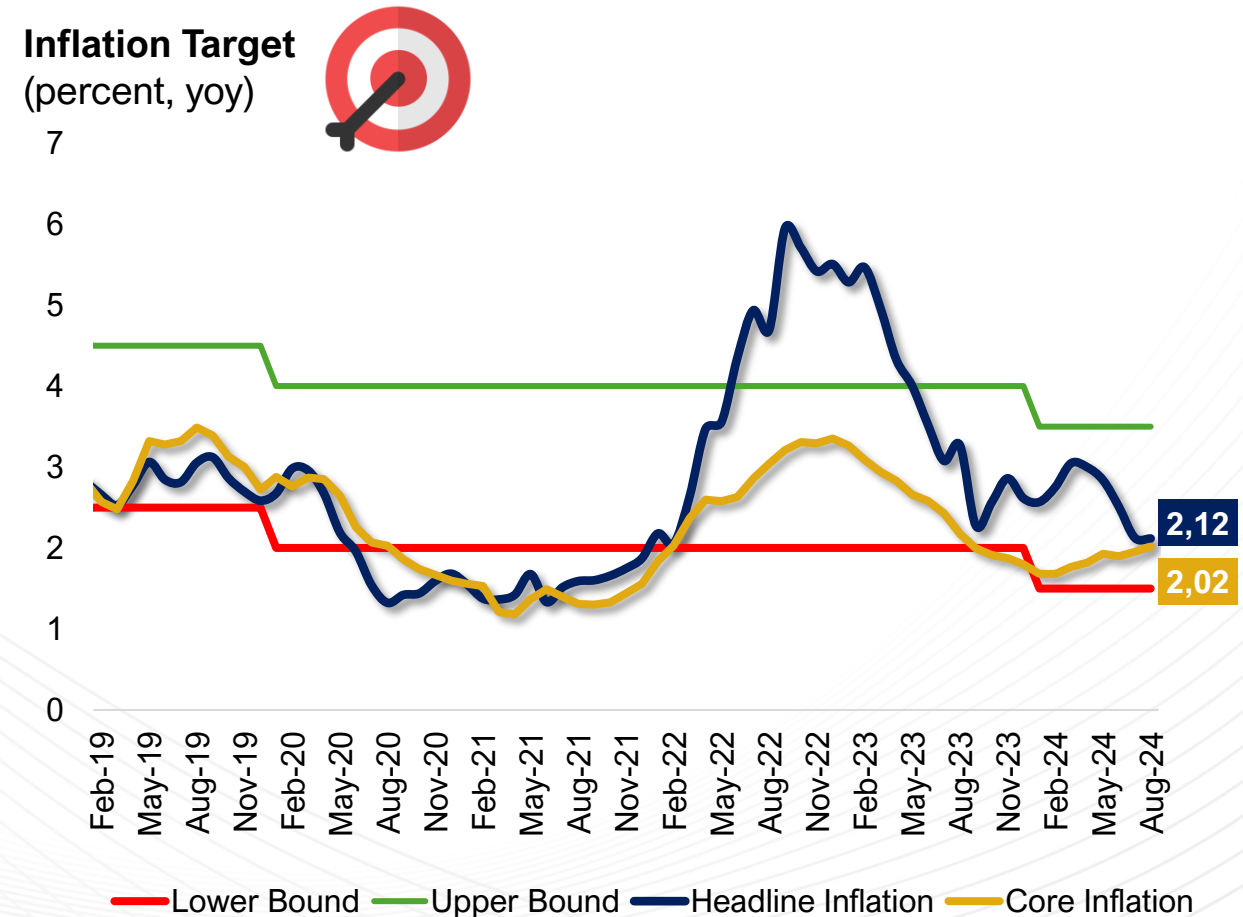
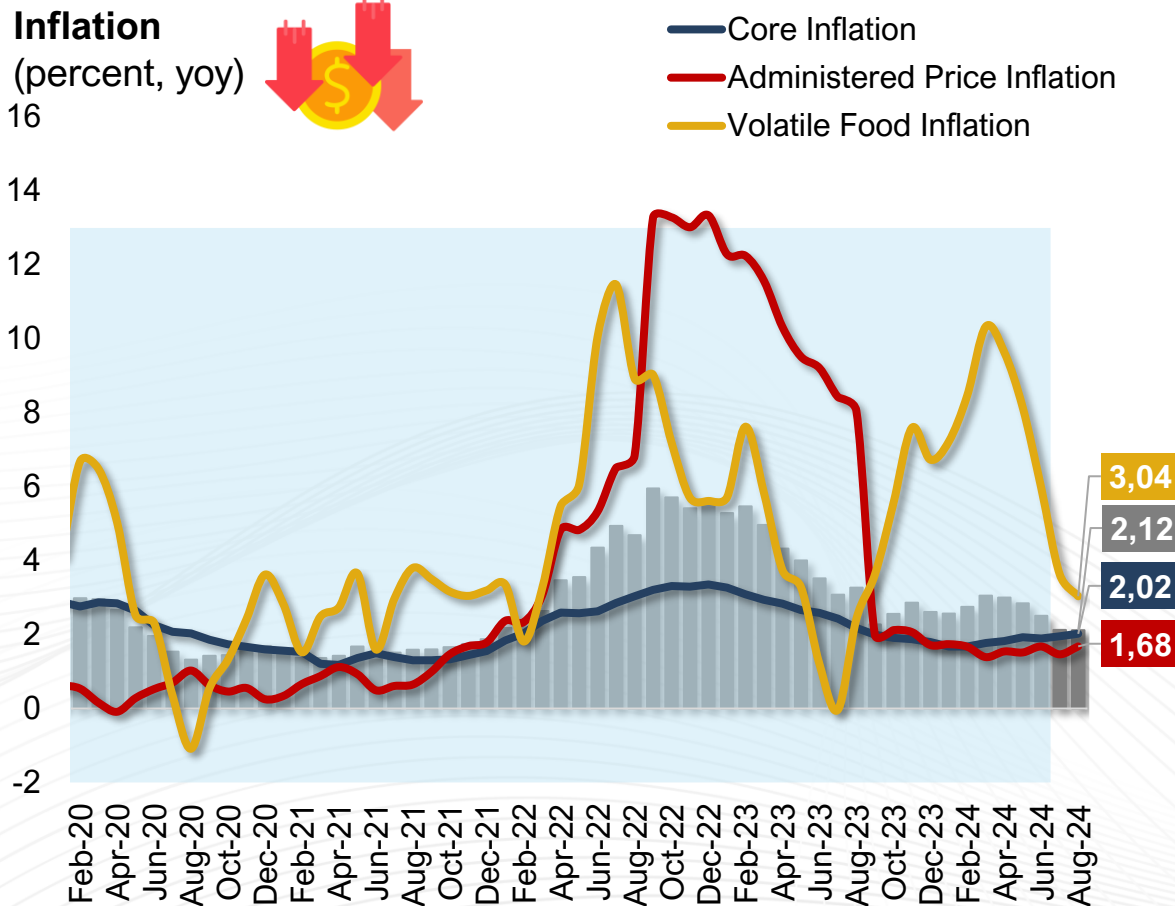
Highlight:

1. The Consumer Confidence Index has rebounded over the past two months, recovering from its June 2024 low. Compared to past year, CCI contracted by 0.35 percent (yoy) for July-August period.
2. Retail sales index is growing in 3rd quarter, due to the growth of food, fuels and spare parts.
3. Visitor arrivals and hotel room occupancy rates are currently on the rise, partly due to summer and school holidays.
4. Consumption Goods import contracts by 4,13 percent (yoy) in the 3rd quarter.

Source: CEIC

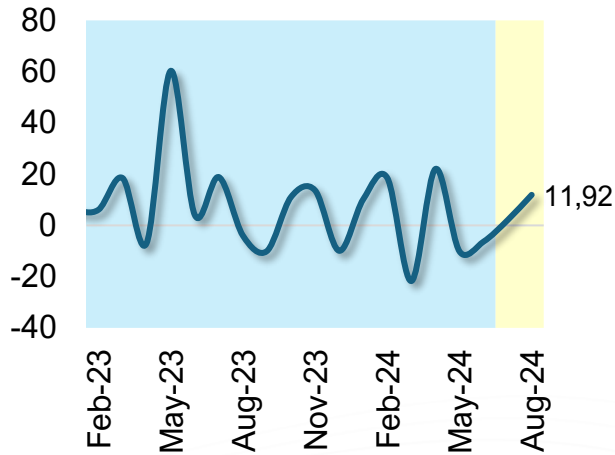
DOMESTIC INFLATION IS WITHIN THE CENTRAL BANK'S TARGET

Indonesia's Consumer Price Index (CPI) data indicates that inflation remains within the central bank's target range of 1.5% to 3.5%. After reaching a peak in March, volatile food inflation has eased to 3.04% year-on-year. This improvement is attributed to increased food stock. Stable at around 1.7%, administered price inflation reflects Indonesia's continued fixed pricing for energy commodities like fuel and electricity.

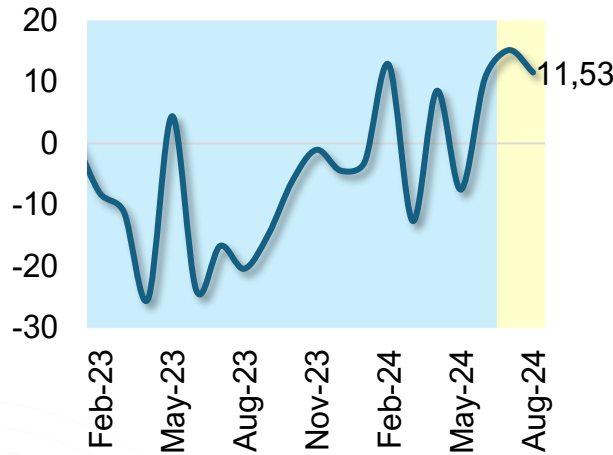


INVESTMENT INDICATORS SHOWS MIXED PERFORMANCE

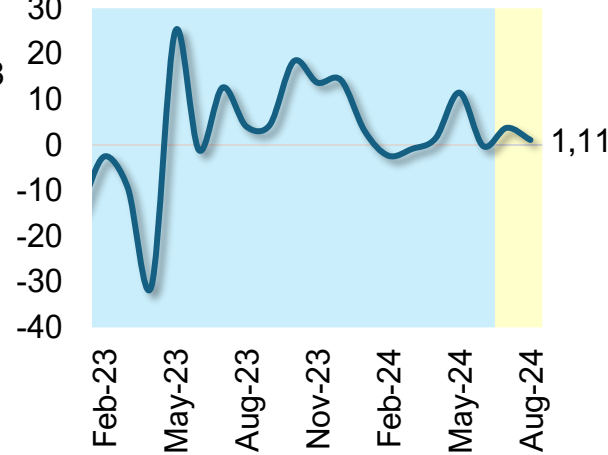
1.a. Import: Capital Goods
(percent, yoy)



1.b. Import: Raw Materials
(percent, yoy)



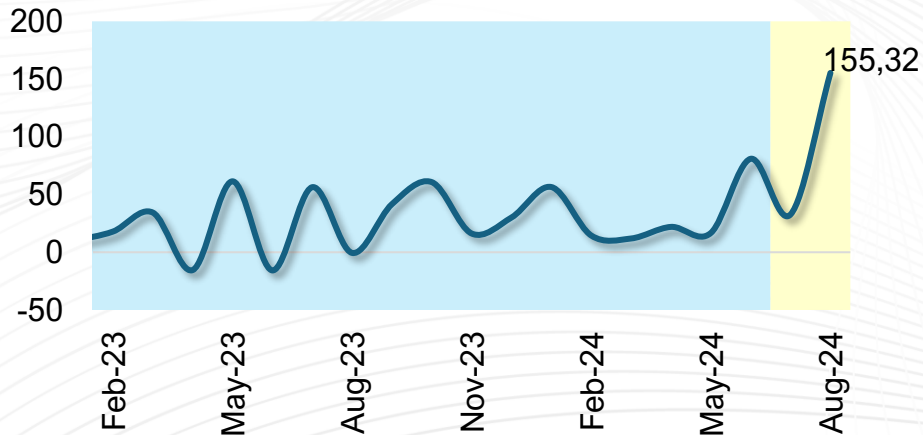
2. Domestic Cement Consumption
(percent, yoy)



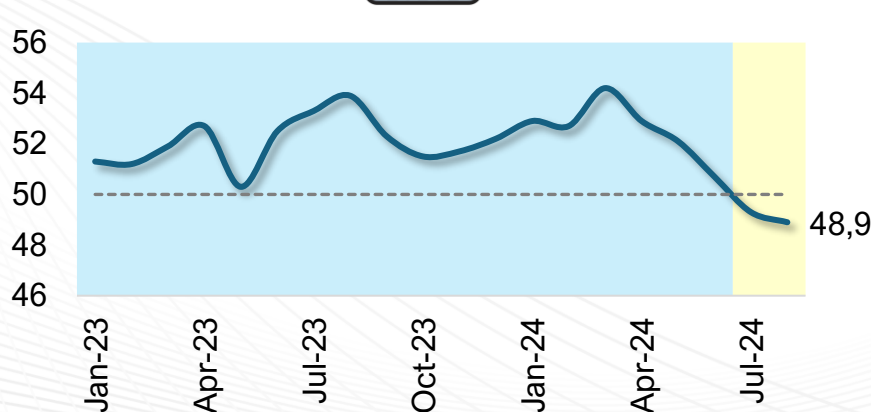
Highlight:

1. Indonesia PMI Manufacturing remains in contraction zone for 2 months, driven by efficiency measures, including workforce reductions, in some firms.
2. The import of investment goods and raw materials is positive in July-August 2024, boosted by the import of machinery, electronic and electric equipment, mineral products, base metals and product of chemical industries.
3. Government's investment accelerates in July-August, partially boosted by development of Indonesia's new capital city for the independence day ceremony.

3. Government Investment
(percent, yoy)



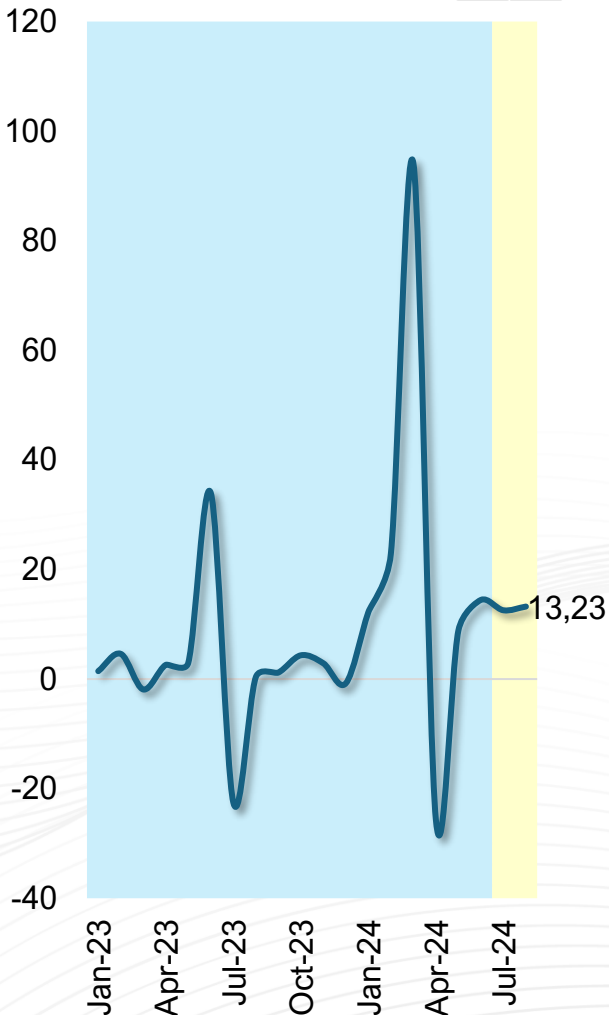
4. Manufacturing PMI
(index)



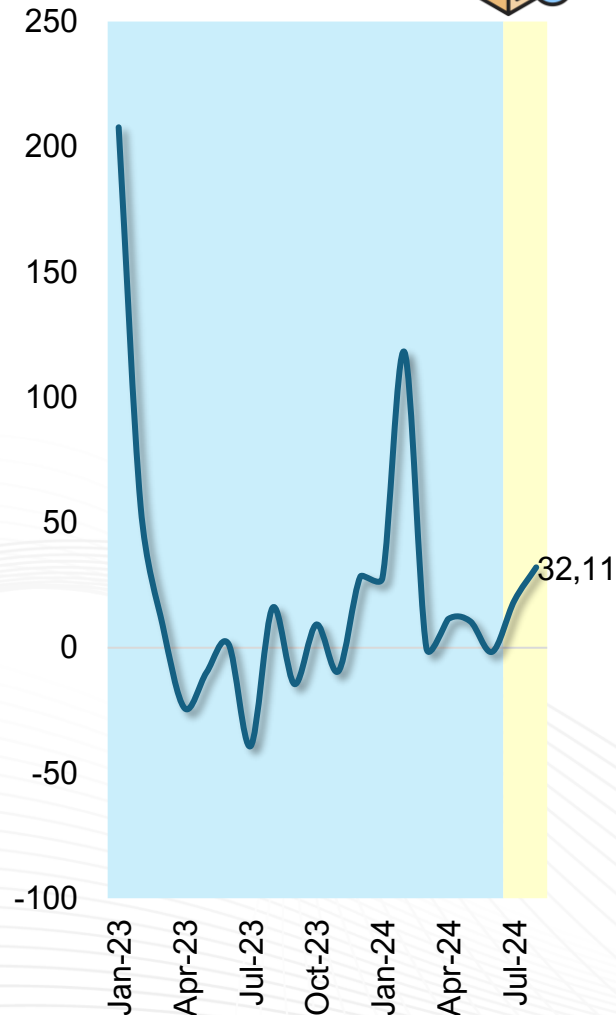
Source: CEIC

GOVERNMENT CONSUMPTION INDICATORS IS EXPECTED TO NORMALIZE FOR THE REST OF THE YEAR

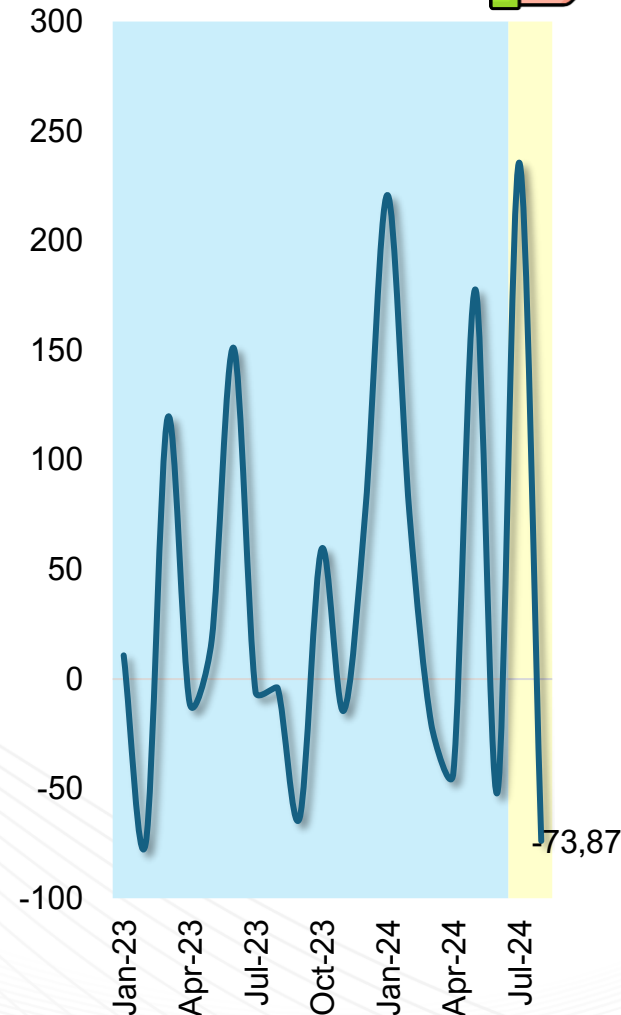
1. Personnel Expenditure (percent, yoy)



2. Material Expenditure (percent, yoy)



3. Social Assistance (percent, yoy)



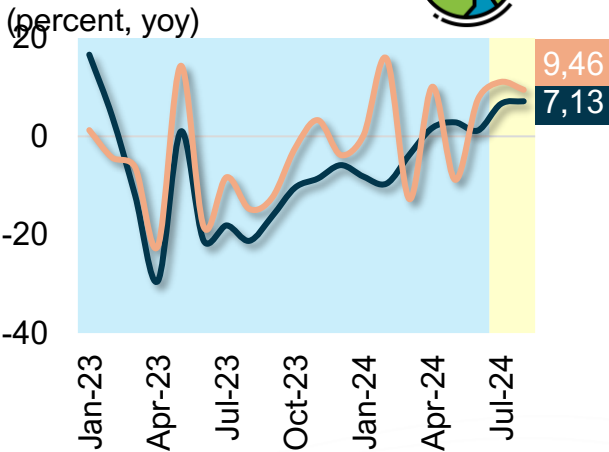
Highlight:

1. Expected growth of personnel expenditure for the remainder of the year aligns with the 2024 wage increase for civil servants.
2. The General Elections Commission's ongoing regional election preparations will continue to drive material expenditure for the remainder of the year. The rest of line ministry is expected to follow their spending pattern, which peaked in Q4-2024.
3. Cumulative realization of social assistance contracted by 1,35 percent (yoy). Social expenditure is expected to grow by around 20 percent for the remainder of the year due to budgetary increase.

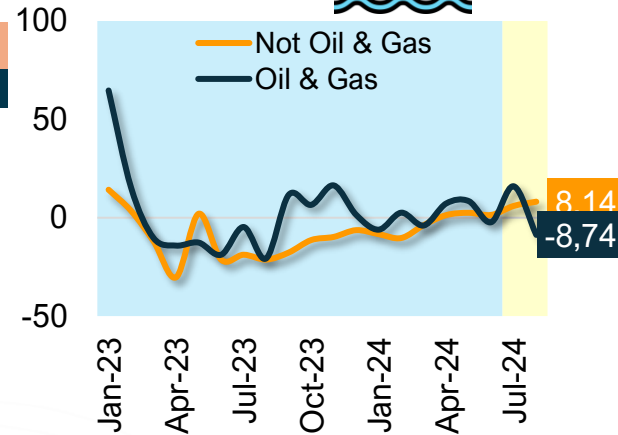
Source: CEIC

EXPORT AND IMPORT INDICATORS ARE MOSTLY POSITIVE

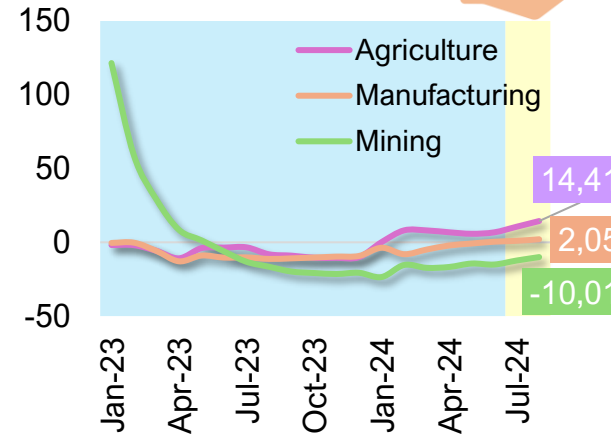
1.a. Goods Export & Import Value (percent, yoy)



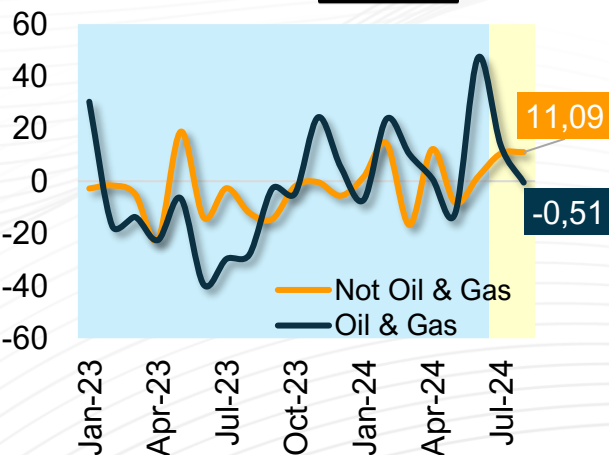
2.a. Goods Export (percent, yoy)



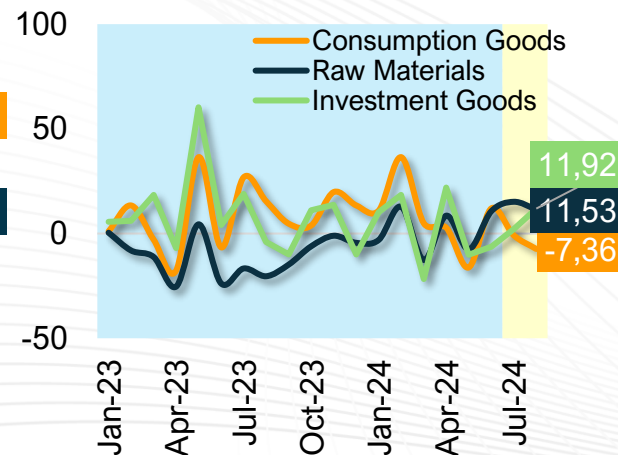
2.b. Export: Except Oil & Gas (percent, yoy)



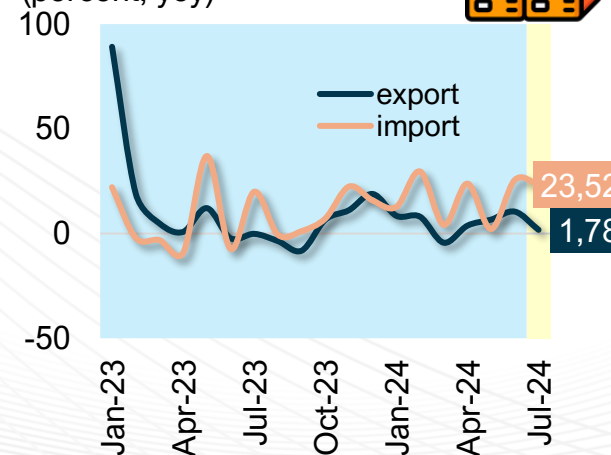
3.a. Goods Import (percent, yoy)



3.b. Import By Type (percent, yoy)



4. Goods Export & Import Volume (percent, yoy)



Highlight:

1. Export and Import in July and August is still rising in terms of value. Yet, import is slowing down in terms of volume.
2. The export of Oil & Gas contracted in August 2024. Meanwhile, the export of agricultural and manufacturing goods continue to be positive in the third quarter.
3. Import of goods, except oil and gas is growing in the third quarter, boosted by the import of investment goods and raw materials.

Source: CEIC

EXPORT PERFORMANCE FOR IRON AND STEEL AND ANIMAL/VEGETABLE OILS CONTRACTED

While other goods in manufacturing grows, some of the manufacturing output sector such as iron and steel and palm oil products in the vegetable oils contracted in July 2024, continuing the trend in the previous months in 2024.

	Value (USD Mn)							Growth (% , yoy)						
	Q1-2024			Q2-2024			Q3-2024	Q1-2024			Q2-2024			Q3-2024
	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24
Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	4460.0	4487.9	4624.2	4569.6	4724.6	4475.3	4591.5	-22.4	-13.1	-21.5	-13.1	-8.0	-3.6	4.8
Iron and Steel	2298.8	1675.5	2128.9	2169.4	2195.9	2101.1	2032.2	9.0	-22.2	-7.2	0.2	8.3	-3.5	-8.1
Animal or vegetable oils/fats and their cleavage products; prepared edible fats; animal or vegetables waxes	2208.7	1712.8	2043.0	1871.8	1603.8	2695.3	1921.6	-6.5	-30.6	-7.4	6.7	-16.1	-1.9	-29.4
Electrical machinery and equipments; sound recorders/reproducers	1094.8	1164.6	1312.7	988.9	1252.7	1132.6	1301.2	-15.1	-18.6	3.6	-4.4	1.7	-2.4	5.2
Vehicles Other Than Railway/Tramway, and Parts and Accessories Thereof	798.7	873.5	904.1	730.5	926.3	883.1	1010.1	-15.4	-9.5	-4.0	17.8	-6.7	-5.0	5.3
Natural and cultured pearls, precious/semi precious stones, and precious metal, and articles thereof, imitation jewellery; coin	562.5	448.2	1372.9	893.9	962.6	522.1	788.9	-30.7	-21.1	25.2	71.0	67.3	54.9	108.5
Nickel and Articles Thereof	497.0	428.6	459.5	670.1	849.6	635.5	741.2	-24.2	-30.4	-16.2	24.7	22.8	56.6	27.5
Ores, Slag, and Ash	657.1	880.6	899.4	823.5	1037.3	17.4	708.6	10.1	110.4	41.1	2.4	60.1	-95.9	100.3
Nuclear reactors, boilers, machinery and mechanical appliances; parts	543.0	525.1	553.1	411.7	549.6	559.2	571.4	-4.9	4.5	-7.9	9.8	-4.6	4.3	10.2
Footwear, Gaiters and the Like; Parts of Such Articles	536.0	538.1	588.7	461.2	617.1	500.1	519.0	-5.8	9.7	0.2	4.1	2.8	-5.5	-1.7








03


INDONESIA ECONOMIC GROWTH: OUTLOOK 2024


Growth (percent, yoy)	2023	H1-24	Outlook 2024
GDP	5,05	5,08	5,2
HH Consumption	4,82	4,92	5,00
Non-Profit Institutions Serving HH Consumption	9,83	16,84	11,74
Government Consumption	2,95	9,08	7,50
Gross Fixed Capital Formation	4,40	4,11	4,89
Export goods and services	1,32	4,73	4,62
Import goods and services	-1,65	5,19	6,75


Indonesia's economic growth achievement in semester I-2024 is 5,05 percent (yoy), higher than the market consensus (5,0 percent). **This makes economic growth in the semester I-2024 grow by 5,08 percent (yoy).**

-  Non-Profit Institutions Serving HH Consumption is still growing high, driven by high political activity in the preparation process for the Regional Head Elections.
-  Household consumption grew moderately and below 5,0 percent.
-  Gross Fixed Capital Formation grew moderately, triggered by the ongoing contraction in investment for vehicles.
-  Exports and imports grew high in Q2-2024, driven by an increase in the volume of exports and imports of goods, while the increase in export of services was in line with increased tourism activity.

 **HH consumption** in semester II-2024 will **grow moderately and boosted mostly by regional election from NPISH consumption.**

 **Government consumption** semester II-2024 will be boosted by the **regional election.**

 **Increase political certainty as well as loosened monetary policy** by global central banks are **expected to boost capital flow** to Emerging Market countries. Coupled with lower cost of borrowing as well as increased liquidity, **GFCF is expected to grow by 4,89 percent (yoy).**

 **Export is expected to grow by 4,62 percent (yoy), as raw material imports increased in Q2-2024**, which will be turned into final goods for consumption and export. **Increase in the tourism activity in Q4-2024 will also boost export from services side.** Moreover, due to **low base effect in Q3-2023**, export and import are expected to grow high in Q3-2024.

Based on realization up to Q2-24 with ctc growth of 5.08 percent and the expected growth of FY 2024 of 5.2 percent, for the next two quarters economic growth need to grow by 5,18 and 5,47 percent.

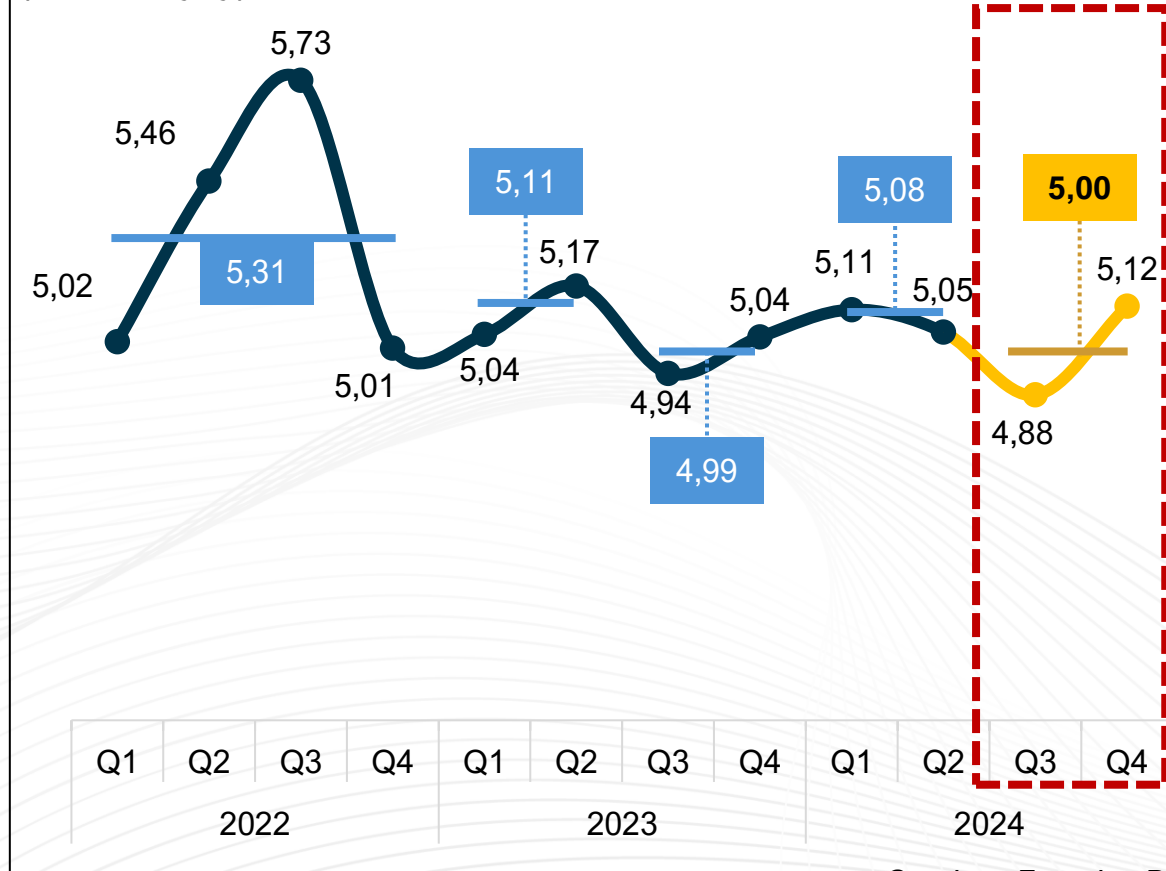
	Realization							Baseline (FY2024 5,04%)		Transformative Scenario (FY2024 5,20%)	
	Q1 2023	Q2 2023	Q3 2023	Q4 2023	FY 2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024	Q3 2024	Q4 2024
Growth (percent, yoy)											
GDP	5,04	5,17	4,94	5,04	5,05	5,11	5,05	4,89	5,10	5,18	5,47
HH Consumption	4,53	5,22	5,05	4,47	4,82	4,91	4,93	4,96	4,97	5,01	5,14
Non-Profit Instutions Serving HH Consumption	6,16	8,59	6,18	18,11	9,83	24,29	9,98	10,70	2,16	10,94	3,54
Government Consumption	3,31	10,47	-3,93	2,81	2,95	19,90	1,42	3,80	4,21	5,80	6,70
Gross Fixed Capital Formation	2,11	4,63	5,77	5,02	4,40	3,79	4,43	4,12	5,48	4,90	6,30
Export goods and services	11,74	-2,91	-3,91	1,64	1,32	0,50	8,28	5,39	3,10	5,49	3,60
Import goods and services	4,15	-3,23	-6,57	-0,15	-1,65	1,77	8,57	9,06	4,00	10,66	5,90

Source: Exercise Bappenas as of October 2024

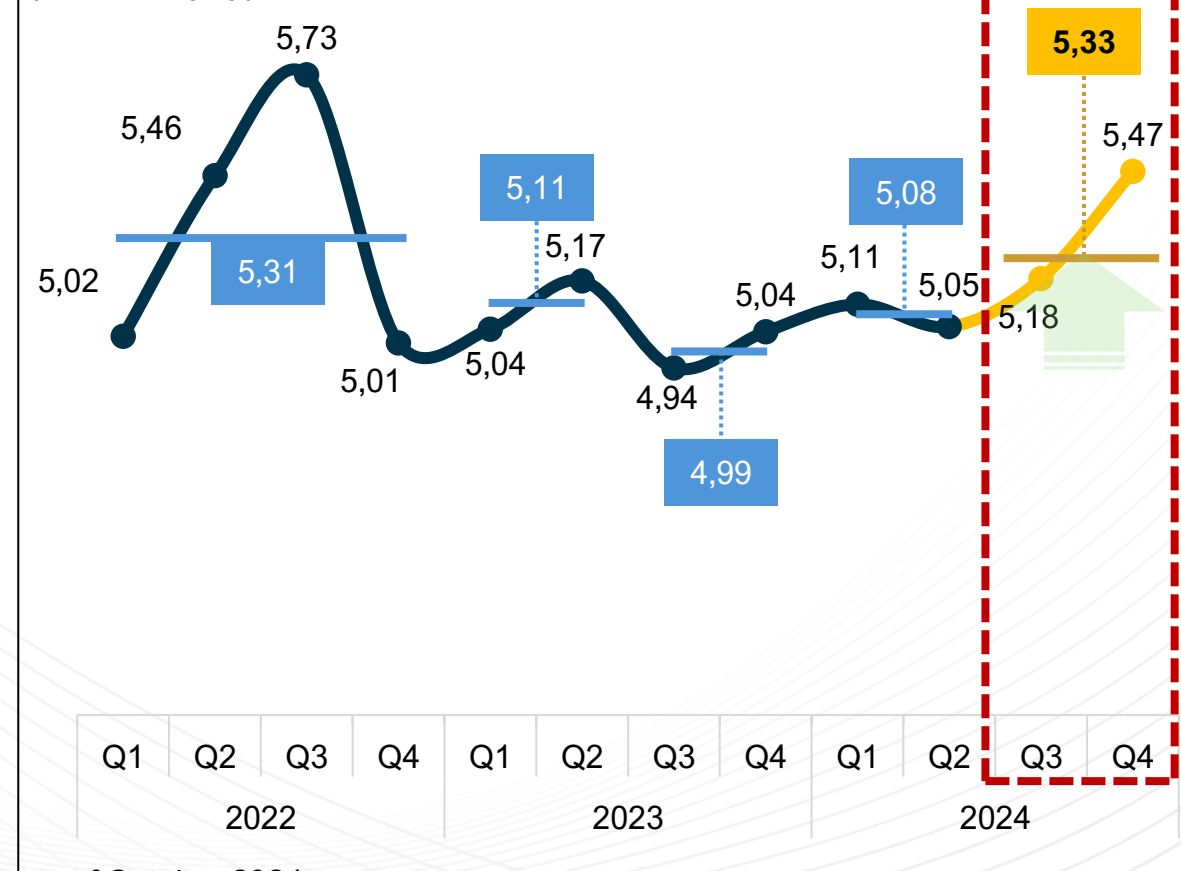
ACCELERATION OF ECONOMIC GROWTH IS NEEDED IN SEMESTER II-2024

Indonesia's economic growth in **Semester II-2024 needs to grow by 5.33 percent (yoy)** to achieve FY 2024 growth of 5.20 percent.

Economic Growth Baseline Scenario
(percent, yoy)



Economic Growth Transformative Scenario
(percent, yoy)



Sumber: Exercise Bappenas as of October 2024



04

INDONESIA ECONOMIC GROWTH: TARGET 2025

INDONESIA ECONOMIC GROWTH TARGET IN 2025

GDP Expenditure Side



Public Consumption
5.2 – 5.3



Government Consumption
5.6 – 6.0



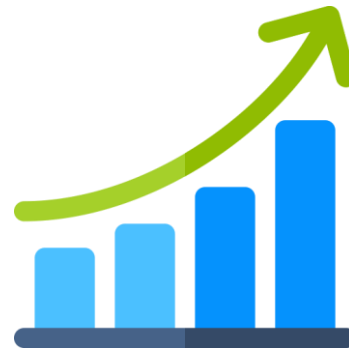
GFCF/Investment
6.7 – 7.8



Export of Goods and Services
4.9 – 5.3



Import of Goods and Services
6.7 – 7.8



**ECONOMIC
GROWTH**
5.3 – 5.6
(percent, yoy)

Source: Final Draft of Presidential Regulation
Regarding Government Working Plan (RKP) 2025

GDP Production Side



Agriculture
3.2 – 3.4



Mining
3.8 – 4.1



Manufacture
5.5 – 6.2



Construction
6.4 – 6.8



Trade
5.1 – 5.4



Transportation
6.4 – 6.9



Accommodation and F&B
5.6 – 5.8



Information and Communication
8.8 – 8.9

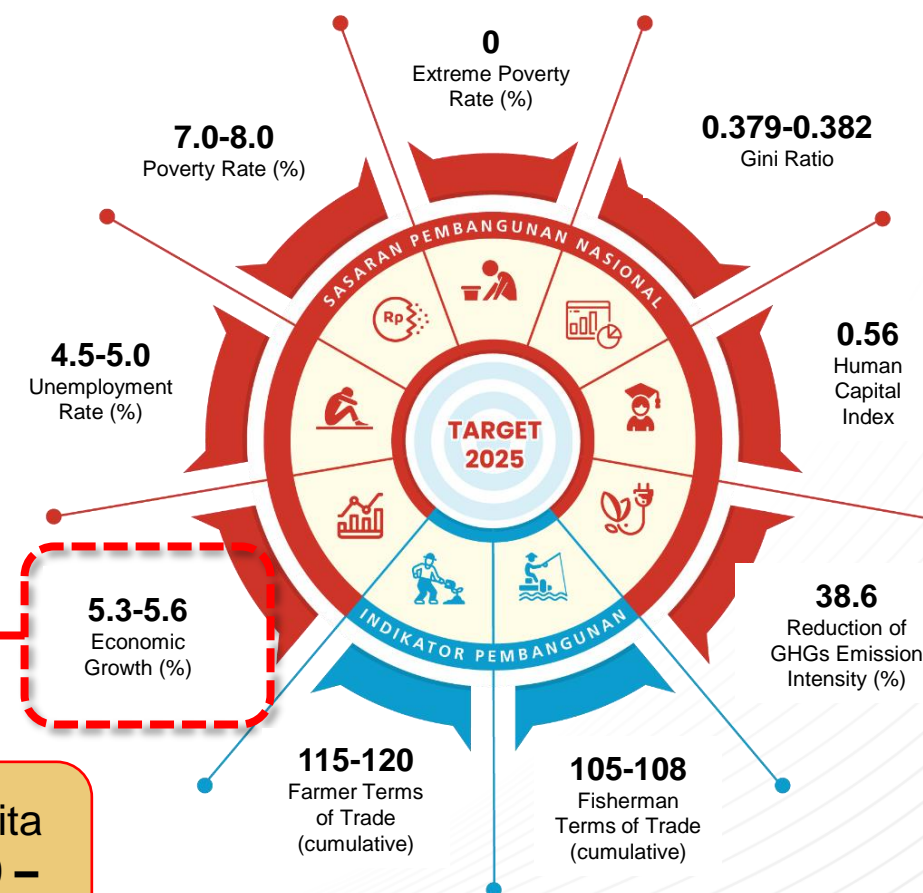
RKP 2025 Theme

”
**Accelerating Inclusive
and Sustainable
Economic Growth**
”

Economic Growth Target has become the foundation in calculating **2025 GNI per Capita Target** for which becoming initial foundation to gain Indonesia Emas 2045 Vision.

2025 GNI per Capita Target: **US\$ 5.500 – 5,520**

2025 DEVELOPMENT TARGETS



GNI PER CAPITA TARGET IN 2025: US\$ 5.500-5.520, NEEDS HIGH GROWTH FROM EXPENDITURE SIDE (1/2)

2025 GNI per Capita is supported by expenditure-side economic growth



Household and LNPRT Consumption

5.2 – 5.3



Government Consumption

5.6 – 6.0



Investment/GFCF

6.7 – 7.8



Goods and Services Export

4.9 – 5.3



Goods and Services Import

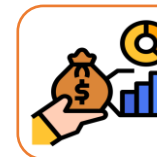
6.7 – 7.8



Household and LNPRT consumption consistently growth along with **nurtured societies' purchasing power and inflation.**



Government consumption sustainably grow along with **government support in development** (New Capital project and new government programs).



Increases in investment are driven by:

- **The Continuation of government's infrastructure projects.**
- **Improvement in investment climate**



Growth in export is driven by **the continuation on down-streaming** that bolster an increase in goods export value, as well as reducing dependence on global commodity prices' trend.



Import grows higher than export to bolster development program **through foundation enhancement.**

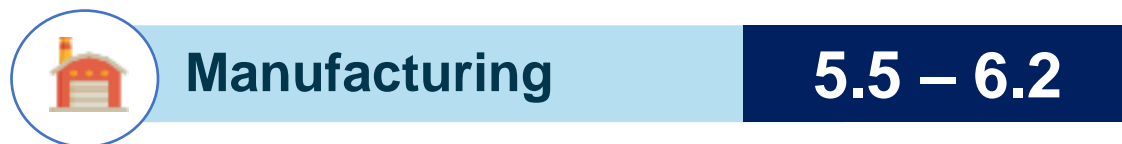
Source: Final Draft of Presidential Regulation Regarding Government Working Plan (RKP) 2025

Note:

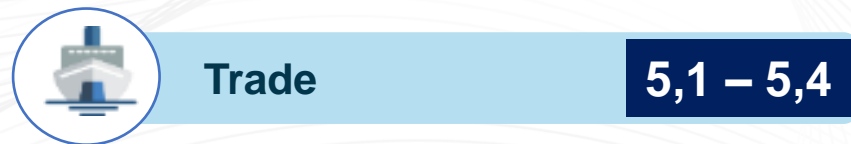
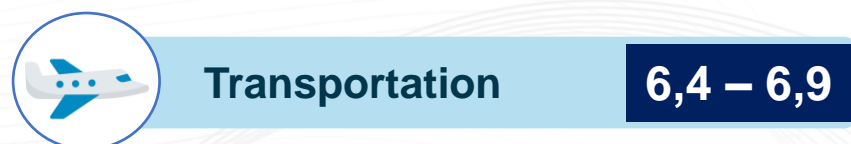
2025 Economic Development Target is achieved through **5.3%-5.6% Economic Growth Target.**

GNI PER CAPITA TARGET IN 2025: US\$ 5.500-5.520, NEEDS HIGH GROWTH FROM PRODUCTION SIDE (2/2)

2025 GNI per Capita is supported by
production-side economic growth



Productive Services Sectors:



Enhanced manufacturing sector, driven by:

- Industrial project investment
- Domestic demand and trade partners increase
- The Continuation of Nusantara Capital project.



Increased construction sector, driven by:

- Industrial sector development
- The construction of Nusantara Capital City
- The construction of connectivity infrastructure.



Productive services sector will become flourish in line with an increase in domestic demand due to government programs.

RKP 2025 IS DIRECTED TO OPTIMIZE REGIONAL POTENCIES

Western Zone of Indonesia 5,0 – 5,3

Eastern Zone of Indonesia 6,4 – 6,9

1 Sumatera Economic Corridor

Natural Resource-Based Industries and West Indonesia Blue Economy Hub

Sumatera

4,8 – 5,1

Intervention Highlight

- Featured primary commodities down-streaming (bauxite, cacao, coconut, and rubber)
- Fisheries industrialization development
- Basic metal and basic chemical industries enhancement
- National Strategic Project construction, such as Trans Sumatera Toll Road and Kualanamu Aerocity and Airport Hub

2 Java Economic Corridor

Innovation, Research and Tech-Based Industries

Java

5,0 – 5,4

Intervention Highlight

- Connectivity infrastructure development (Pansela Road East Java, Patimban Harbour)
- Commodity industries' down-streaming (copper, bauxite, palm, coconut, rubber, and seaweed)
- Transportation industries' development (EV and aerospace, and digital), down-stream chemical industry and pharmaceutical

3 Kalimantan Economic Corridor

Nusantara Economic Superhub

Kalimantan

5,8 – 6,1

Intervention Highlight

- Nusantara Capital Region and its supporting infrastructure development acceleration
- Down-streaming acceleration of high value-added industrial-based commodities (bauxite, palm, coconut, and rubber)
- Basic industry (chemical industry) enhancement and middle-high technology industrial development

5 Sulawesi Economic Corridor

Nusantara Economic Superhub Support and Natural Resource-Based Industries

Sulawesi

7,3 – 7,9

Highlight Intervensi

- Basic metal industry enhancement and coconut, cacao, and seaweed industries down-streaming
- Refining the development of Trans Celebes train road.
- Tourism development through the completion of Manado-Likupang Priority Tourism Destination

6 Maluku Economic Corridor

East Indonesia Blue Economy Hub

Maluku

11,2 – 11,9

Intervention Highlight

- Nickel mining industrial down-streaming enhancement in Teluk Weda and Pulau Obi Industrial Zones
- Pulau Morotai Regency existing tourism area enhancement and preparation of Bandaneira tourism pioneer area
- Fishery-integrated area development and preparation (skipjack tuna, tongkol, shrimp, and lobster commodities)

7 Papua Economic Corridor

Basic Chemical and Agro Industries

Papua

5,3 – 5,8

Intervention Highlight

- Domine Eduard Osok and Wamena Airports and Trans Papua Road development
- Sorong Special Economic Zone development and Papua Tengah copper industries' down-streaming
- Teluk Bintuni and Fakfak industrial zones development acceleration
- Raja Ampat Regency tourism area development

4 Bali-Nusra Economic Corridor

International-Grade Nusantara Creative Economy and Tourism Superhub

Bali-Nusra

5,4 – 6,2

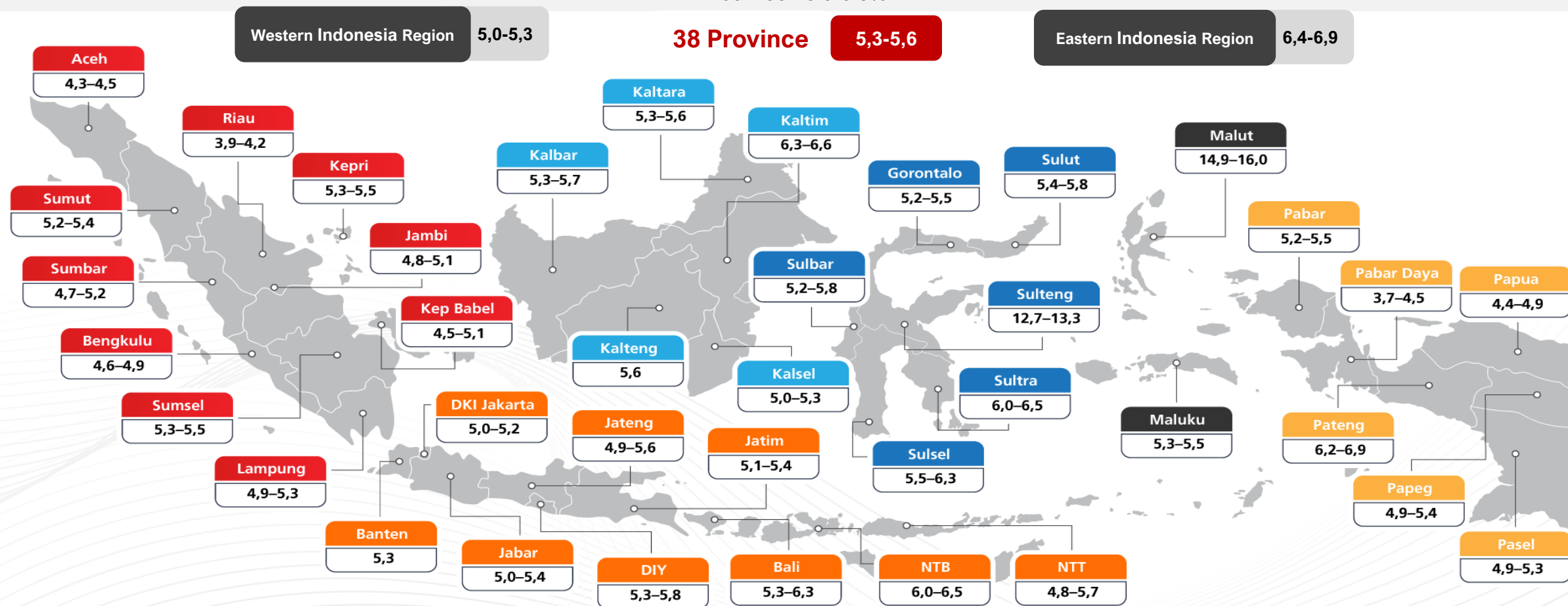
Intervention Highlight

- High value-added commodity-based industries' down-streaming, including copper and seaweed
- Danau Lebo Taliwang area arrangement
- Labuan Bajo Labuan Bajo premium tourism area development acceleration and quality improvement

Source: Final Draft of RKP 2025

PROVINCIAL ECONOMIC GROWTH TARGETS IN 2025

National economic growth is supported by contributions from various regions in Indonesia. Each province has a strategic role in driving the overall economic growth rate. The Eastern Indonesia Region (KTI) is targeted to grow higher to encourage equality and is supported by the existence of great potential in driving the economy through the development of downstreaming of natural resources and infrastructure. Meanwhile, the growth of the Western Indonesia Region (KBI) is targeted to remain stable between 5.0-5.3%.



Source: Final Draft of Presidential Regulation on RKP 2025

Province Name

Economic Growth Targets 2025 (in %)

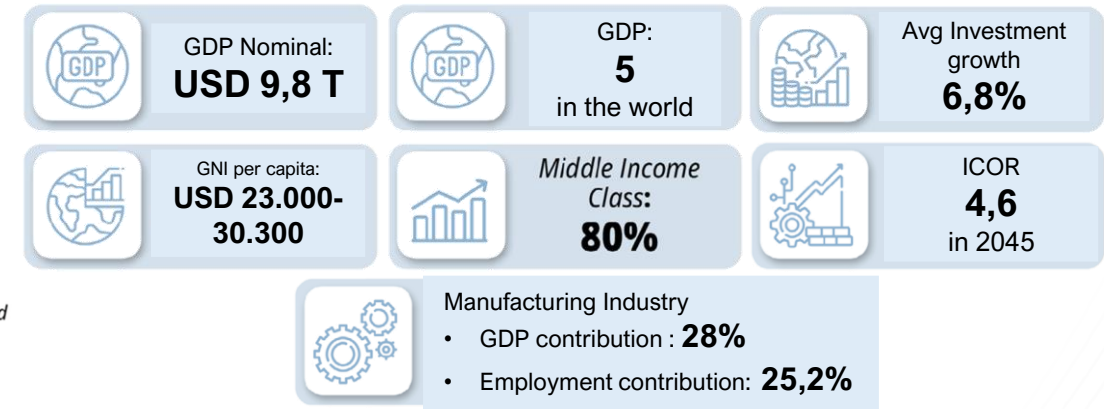
2025 WILL BE THE STARTING POINT FOR THE RPJMN 2025-2029 AND RPJPN 2025-2045 IN WHICH ACCOMMODATE GOLDEN INDONESIA VISION 2045

Proyeksi GNI per Capita Indonesia (USD)



Indonesia in
2045

...with average economic growth 7%...



Source: Law Number 59/2024 concerning the National Long Term Development Plan 2025-2045

Stage of Economic Transformation

Stage 1



2025 - 2029

Strengthening Transformation

Downstreaming of natural resources as well as strengthening research innovation and workforce productivity

Growth Range: **5,6–6,1 percent**

Share of Manufacturing Industry to GDP: **21,9%**

Middle Class Income: **38% of population**

Stage 2



2030 - 2034

Accelerating Transformation

Massive productivity gains and expansion of sources of economic growth

Growth Range: **6,9–7,8 percent**

Share of Manufacturing Industry to GDP : **26,6%**

Middle Class Income: **50% of population**

Stage 3



2035 – 2039

Global Expansion

Integrated Economic Power House with global and domestic chain network, and robust exports

Growth Range : **6,4–7,6 persen**

Share of Manufacturing Industry to GDP : **30,0%**

Middle Class Income: **61% of population**

Stage 4



2040 – 2045

Achieving Golden Indonesia

High Income Country

Growth Range : **5,4–6,7 persen**

Share of Manufacturing Industry to GDP : **28,0%**

Middle Class Income: **80% of population**

POTENTIAL NEW SOURCES OF ECONOMIC GROWTH: INFRASTRUCTURE PROJECTS

Achieving high economic growth will be possible through **new sources of growth** and **innovative program/project** which empower the significant role of private sector

Focus Projects

Increasing Economic Value Added

1. Down-streaming Continuation – Electric Vehicle

132,000 Capacity of vehicles conversion from constructing 1 manufacturing facility

US\$960 Million Total revenue from building EVs infrastructure (cars and motorcycles)

2. Sea Fishing +1 Million Tons

1,000 Total unit of ships provisions for the fishermen

50,000 Potential total employment in direct and temporary terms

3. New Smelter Freeport Gresik

US\$10B Potential economic impact from the construction and operation of smelter

1,391 Total permanent of employment provided by this program.

Focus Projects

Strengthening Energy Infrastructure and Renewable Energy

1. RJP Pertamina: Sustaining CAPEX

2.25% Contribution to GDP from enacting sustainable CAPEX plan

US\$33.9B Potential impact of CAPEX plan of Pertamina to the economy

2. RJP PLN: Power Plant and Transmission Development

5.13% Contribution to GDP from enacting renewable energy plan and transmission development

3. Kayan Hydroelectric Power Plant 16 GW

US\$12.8B Potential economic impact

32,000 Potential total employment in direct and temporary terms

Focus Projects

Strengthening Transportation Infrastructure

1. Jakarta Surabaya High Speed Train

730 KM Potential Rail construction which connects Bandung and Surabaya

75 Number of potential employment per KM of Rail

2. West - East Jakarta MRT Phase 1

24.5 KM Tunnel construction, connecting Tomang (West) and Medan Satria (East)

284,900 Target of potential daily passengers

3. Sunda Strait Bridge

US\$17B Potential economic impact

2,740 Potential total employment in temporary term

IMPROVING HUMAN RESOURCES QUALITY THROUGH EDUCATION AND HEALTH SERVICES

Improving human resources quality through education and health projects will drive multiplier effects to the economy.

Free Meals Program



82,7

Million USD

Beneficiaries

Elementary-, middle-, high-school students; Islamic boarding school students; pregnant women

3,3

Million workers

Employment

Direct permanent and temporary employment working in the program and construction

Excellent School in Every District



205

Thousand USD

Logistics

Total number of new excellent school seats

72

Thousand workers

Employment

Direct permanent and temporary employment including teachers, staffs, and construction

20 International Excellent School



205

Thousand USD

Logistics

Total number of new excellent school seats

2.800

workers

Employment

Direct permanent and temporary employment including teachers, staffs, and construction

TB Eradication and Strengthening Birth Control Program



994

Million USD

CAPEX and OPEX budget requirements per year

1,1

Billion USD

Impact towards economy from implementing the program

Renovation for Damaged Schools



1,2

Million workers

Employment

Direct permanent and temporary employment in construction

0,1%

Million workers

Contribution

Percentage contribution of GDP from renovating damaged schools

Complete Hospital in Every District



62

Thousand workers

Employment

General practitioners, specialist doctors, nurses, other health workers, non-medical staffs.

411

Units

Hospital Needs


Class B district and city hospitals



05


CLOSING REMARKS

1




Global economic trend has gradually recovered, indicated by downward trend of inflation, decreased policy interest rate, and commodity prices normalization. However, global economy is still overshadowed by geopolitical and geo-economy risks, and nature-related risks. Nevertheless, Indonesian economy continues its steady growth above 5.0 percent, exhibiting economic resilience among emerging and advanced economies.

2



Indonesian economy in the remaining of 2024 are supported by maintained consumers spending and government expenditure on goods. However, to achieve 5.20 percent economic growth in 2024, Indonesian economy needs to grow by 5.33 percent in Semester II-2024.

3



Indonesia's economic growth target in 2025 is about 5.3 – 5.6 percent, supported by both expenditure and production sides. Moreover, 2025 will be the first starting point of National Middle-Term Development Plan 2025-2029 and National Long-Term Development Plan 2025-2045 in which accommodate Golden Indonesia 2045 Vision.



Thank You

**Deputy Minister for Economic Affairs
Ministry of National Development Planning of The Republic of Indonesia**

Bappenas Tower 5th Floor | HR Rasuna Said Road Kav B-2, Kuningan,
South Jakarta, DKI Jakarta 12920



APPENDIX

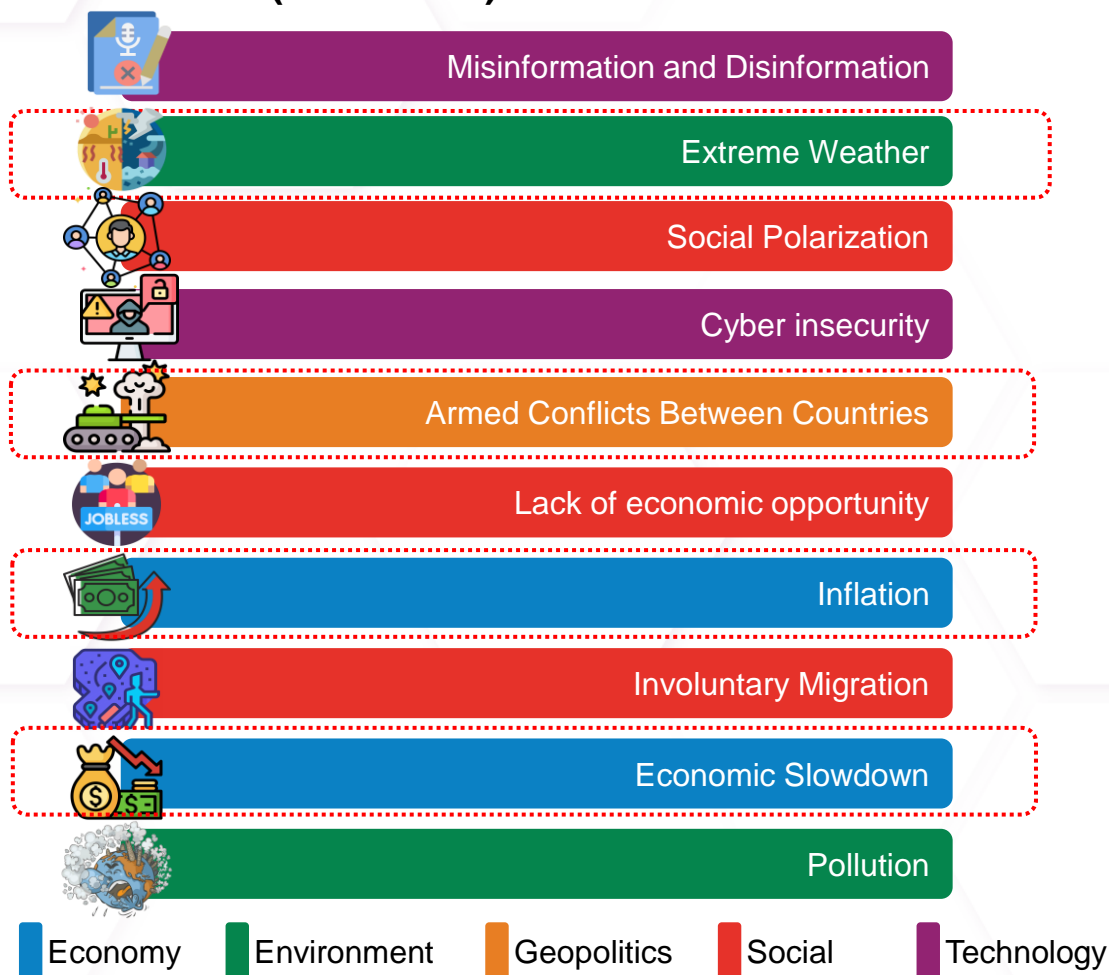
CHALLENGES AND CAPITAL IN ACHIEVING ECONOMIC GROWTH TARGET IN 2025



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Global Risk (Downside) Short Term 2024 and 2025



Source: Global Risks Report 2024

Capital (Upside) Driver of Economic Growth 2025



Implementation of the New Government Program that supports development such as, Sustainable Development of the IKN, national strategic projects



Purchasing power is maintained as inflation is controlled at Bank Indonesia's 2025 target of 1.5-3.5 percent.



Indonesia's economy is relatively resilient compared to other countries to global risks



Increasing the added value of export products through commodity downstreaming policies



Improving the investment climate and creating jobs

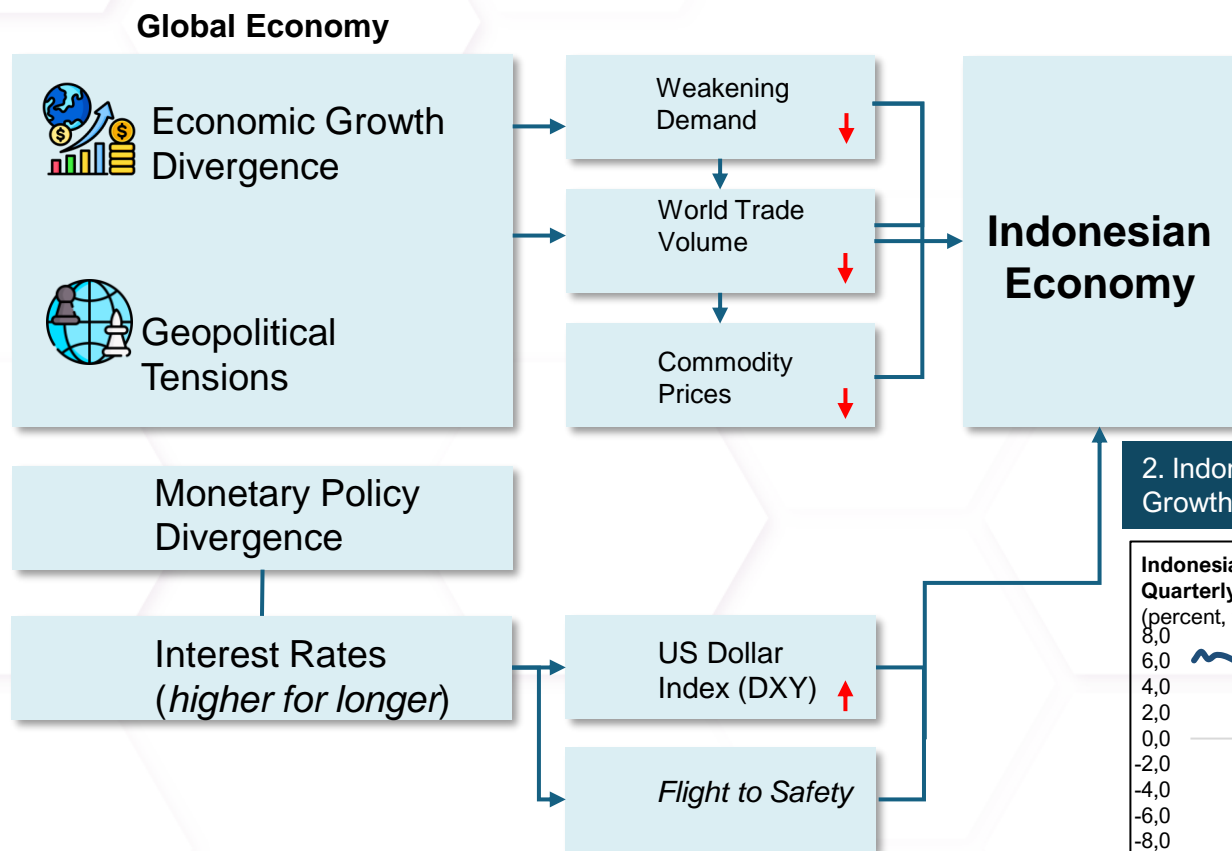
2025 PROVIDES OPPORTUNITIES FOR STRENGTHENING ECONOMIC TRANSFORMATION



Kementerian PPN/
Bappenas

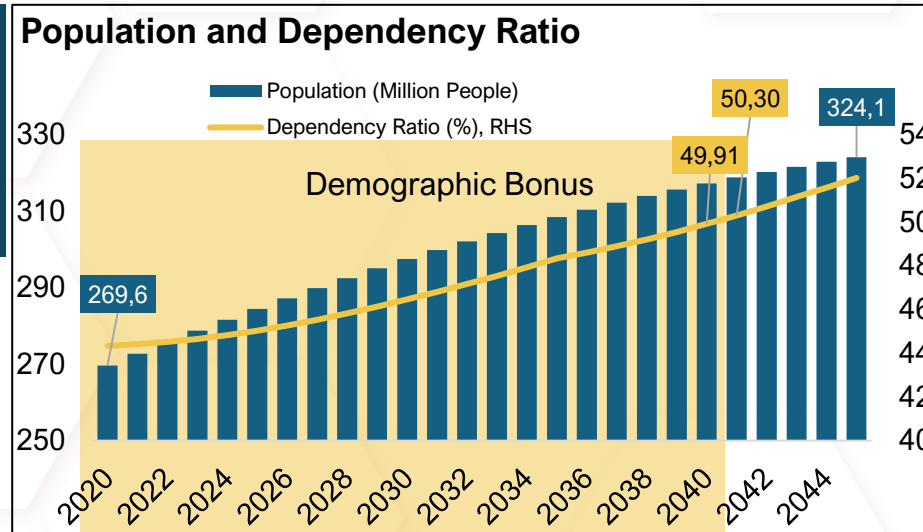


Transmission of Global Economic Impacts on the Indonesian Economy...



...but amidst the dynamics of the global economy, Indonesia still has several opportunities as indicated by several indicators, including...

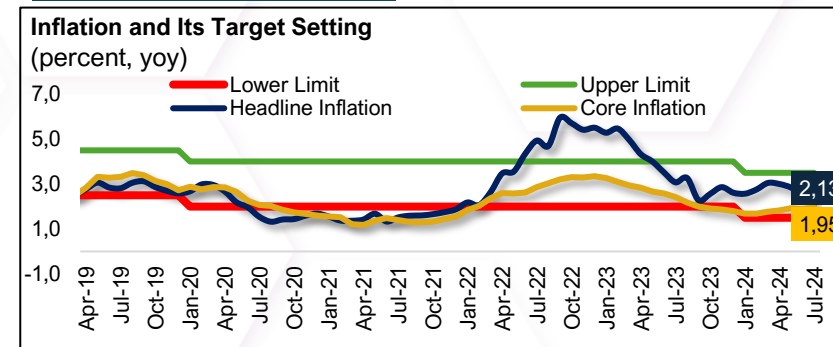
1. Demographic Bonus Momentum for Increasing Productivity



2. Indonesia's Economic Growth is Relatively Stable



3. Controlled Inflation



...therefore the 2025 RKP is directed towards **“Accelerating Inclusive and Sustainable Economic Growth”**

POLICY DIRECTION OF THE GOVERNMENT WORK PLAN (RKP) 2025



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Bappenas



GOVERNMENT WORK PLAN (RKP) THEME 2025 Accelerating Inclusive and Sustainable Economic Growth

The mainstreaming of the 2025 RKP theme is translated through 8 (eight) Asta Cita

Accelerating Economic Growth

1

Strengthening the ideology of Pancasila, democracy and human rights

2

Strengthening the country's defense and security system and encouraging national independence through self-sufficiency in food, energy, water, sharia economy, digital economy, green economy, and blue economy.

3

Continuing infrastructure development and increasing quality employment opportunities, encouraging entrepreneurship, developing creative industries and developing agro-maritime industries in production centers through the active role of cooperatives.

5

Continuing downstreaming and developing natural resource-based industries to increase added value domestically.

6

Building from the village and from below for economic growth, economic equality, and poverty eradication.

7

Strengthening political, legal and bureaucratic reforms, as well as strengthening the prevention and eradication of corruption, drugs, gambling and smuggling.

Inclusive

4

Strengthening the development of human resources, science, technology, education, health, sports achievements, gender equality, and strengthening the role of women, youth (millennials and generation Z), and people with disabilities.

Sustainable

8

Strengthening the alignment of harmonious life with the environment, nature and culture, as well as increasing tolerance between religious communities to achieve a just and prosperous society.

ECONOMIC GROWTH ACCELERATION STRATEGY HIGHLIGHT FOR 2025



Kementerian PPN/
Bappenas



Efforts to achieve the 2025 economic growth target can be done through...

Expenditure Side

1 Maintaining people's purchasing power and inflation



- Demand management and food price stabilization policies;
- Increasing domestic production;
- Strengthening infrastructure and connectivity in underdeveloped, outermost, frontier and border areas; and
- Improving the quality of food data and strengthening coordination between central and regional inflation control team.

2 Export Increase



- Harmonization of Indonesia's tariff and non-tariff policies;
- Intensification and extensification of product market share;
- Strengthening micro, small, and medium enterprises to encourage partnerships and participate in the global supply chain;
- Increasing the effectiveness of the implementation of the free trade agreement (FTA)/comprehensive economic partnership agreement (CEPA).

3 Investment Increase



- Synchronization and harmonization of policies, both between the central government and regional governments, as well as between ministries/institutions;
- Creating a conducive investment climate and providing certainty in doing business; and
- Increasing the effectiveness of providing incentives and investment facilities to business actors.

Production Sector Development

1 Agriculture



- Additional demand from the government to the food and beverage supply sector to its upstream sector; and
- Increasing production along with improvements in climate due to the El Nino and La Nina.

2 Tourism



- Development of 10 priority tourism destinations;
- Arrangement of tourism areas and development of basic needs and accessibility facilities;
- Reactivation of the implementation of events, meetings, incentives, conventions and exhibitions.

3 Industry



- Operationalization of industrial projects such as petrochemicals in Banten, electric vehicle battery cell factories in West Java, and copper downstream projects in East Java and NTB;
- Increasing demand for consumer goods in several trading partners;
- Maintaining domestic demand; and
- The sustainability of the development of the Indonesian Capital City Project which Will drive domestic demand for iron and steel.

National Strategic Projects (PSN)

- Sustainability of National Strategic Projects (PSN) which include development in the road, dam, area, airport, port, and energy sectors.
- Examples include construction of the Trans Sumatra, Banten, West Java, East Java Toll Road; Integrated Mass Transit project; development of the Kualanamu Hub Airport and Aerocity.

INCLUSIVE AND SUSTAINABLE STRATEGIES HIGHLIGHT FOR 2025



Kementerian PPN/
Bappenas



Strategies to achieve 2025 economic growth can be implemented through...

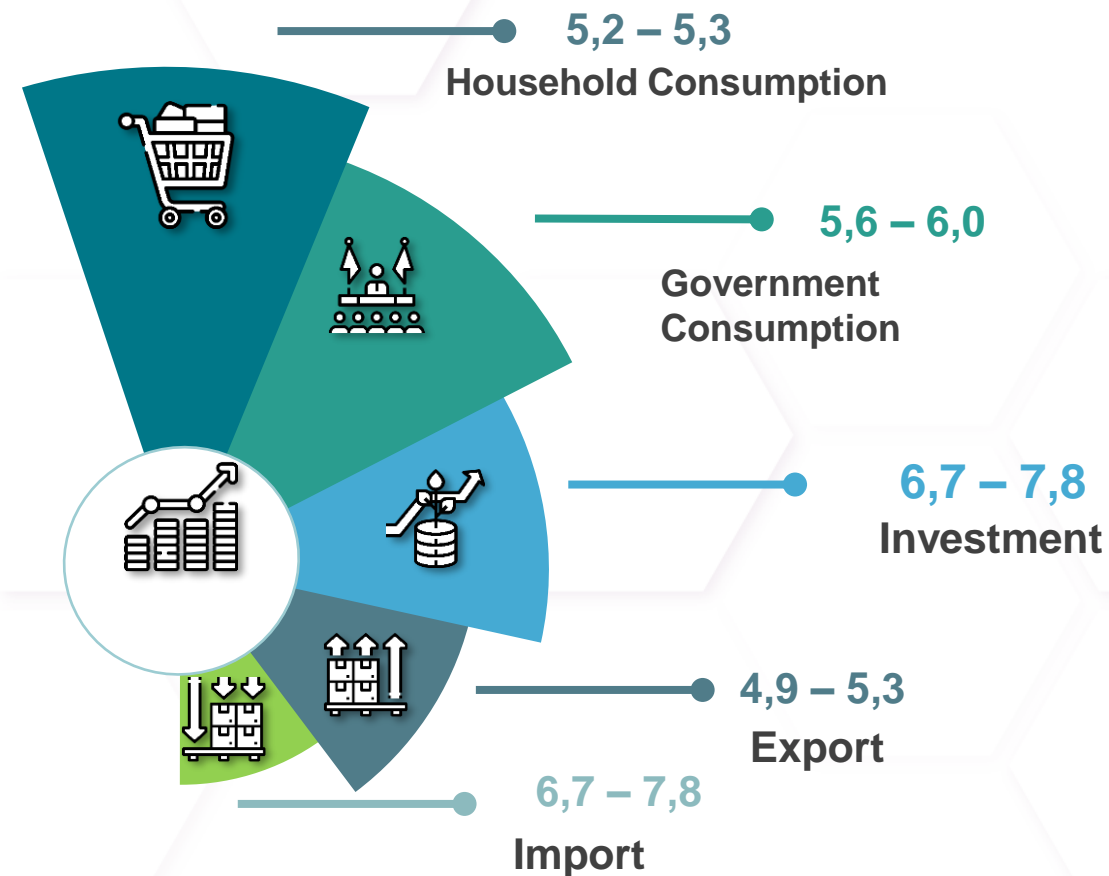
Inclusive

- 1 Improving feasible housing access, affordable and sustainable that can be implemented through housing and residential area provision.
- 2 Embodying village autonomy development from the bottom as the source of sustainable economic growth through enhancing sustainable development of village independence.
- 3 Urban area as the center of economic growth are implemented through the development of Nusantara Capital and Metropolitan area.

Sustainable

- 1 Improving the development of renewable energy and energy efficiency development
- 2 Sustainable land recovery, in which includes sustainable agriculture and forest recoveries.
- 3 Resource efficiency, waste management from upstream to downstream and green industries development.
- 4 Enabler development through implementing carbon tax, creating green employment, governance and other supporting actions.

Komponen PDB Sisi Pengeluaran untuk Mencapai Sasaran Pertumbuhan Ekonomi



Investment Needs for 2025

Investment needs for 2025 is around Rp7,627.13 – 7,694.60 trillion. It constitutes investment to obtain economic growth target based on Government, State-Owned Enterprises, and Private sectors.

Government Investment



State-Owned Enterprises Investment



Private Investment



Source: Final Draft of Government Working Plan 2025

CHALLENGES



Higher for Longer Monetary Policy

High global and domestic interest rate



Higher Cost-to-Fund

Loan interest rates are increased by banking system into high position



Geopolitics and Geoeconomy

Geopolitical conflict and fragmentation are continued (such as: Middle-East Conflict)



Increasing Commodity Prices

World oil and gold prices are increased due to geopolitical conflicts



Weakening China Economy

Pengusaha China menargetkan pasar luar negeri untuk menjual produk dan menerapkan praktik *dumping*



Decreasing Export

Demand for export goods to China would be decreasing



High Sustainability Standard

High sustainability standard implemented by advanced economies in order to mitigate global climate change



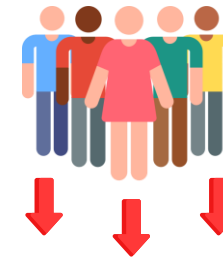
Investment Potency

Domestic industries should move swiftly, tailoring themselves to global sustainability trend

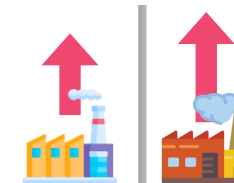
Transmission Into Domestic Economy



People's purchasing power are weakening



Reduction on the number of middle-class people in 2024: 47,85 million (decrease 16,54% compared to 2019)



Reduction in Domestic Competitiveness (such as Textile Industry)

CHALLENGES



Low Productivity

Indonesia's Total Factor Productivity (TFP) is lower, compared to Malaysia, China, and India.



Low Human Resources Quality

- Indonesia's PISA score is lower than Malaysia, VietNam, and Mexico.
- High Indonesia's stunting rate



Low Innovation and Export Complexity

- Low Indonesia's R&D Expenditure
- Indonesia's exports are still dominated by low complexity product

GENERATE
IMPLICATION ON

Transmission Into Domestic Economy



Reduction on Manufacturing sector contributions on Gross Domestic Product (GDP) through 2013-2023.



Low productivity of Indonesia's Manufacturing, Agriculture, and Services sectors