

INDONESIA ECONOMIC SUMMIT
MAPPING OUT
INDONESIA'S ECONOMIC
PRIORITIES AND
STRATEGIES



Airlangga Hartarto
Coordinating Minister for Economic Affairs

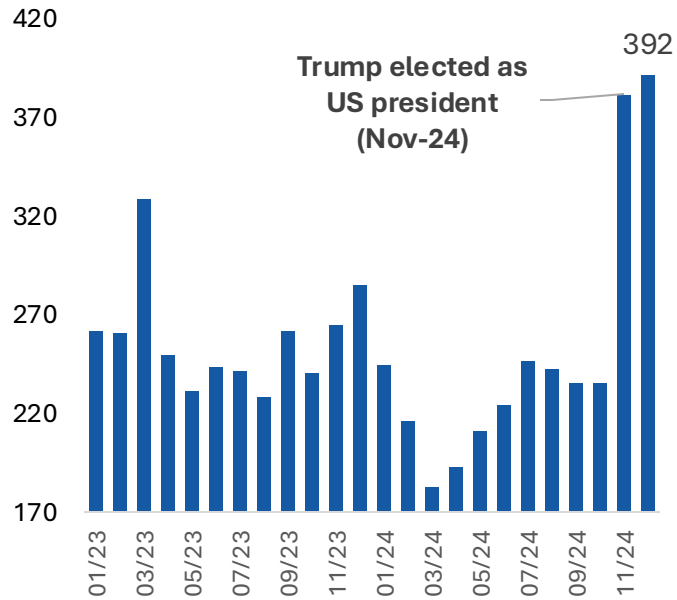
Jakarta, 18 February 2025



GLOBAL ECONOMIC UNCERTAINTY IS PROJECTED TO PERSIST IN 2025

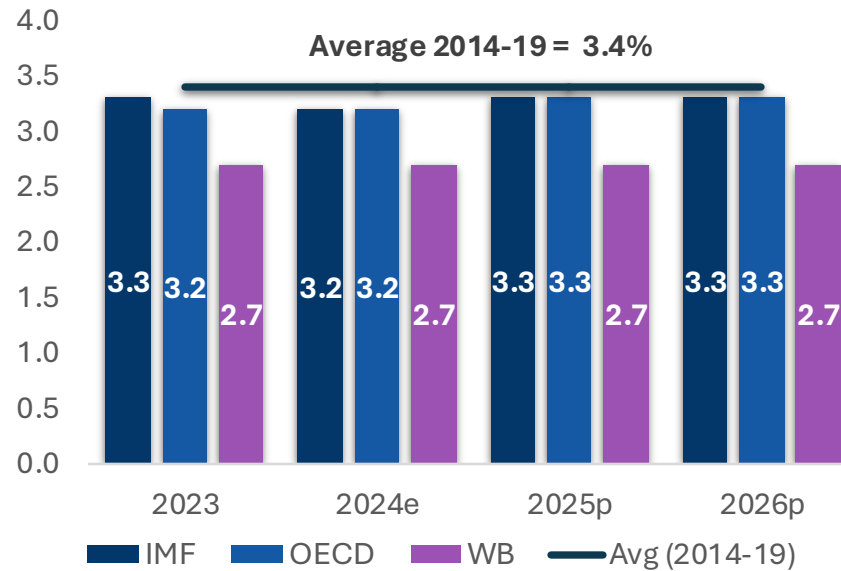
The risk of global economic uncertainty in 2025 is still high, including from geopolitical instability, protectionist policies of developed countries that affect global supply chains and trade, and tightening of monetary policy to overcome high inflation. The global economy is projected to increase slightly in 2025 and 2026 to 3.3%, but below the historical average of 3.4% from 2014 to 2019.

Economic Policy Uncertainty Index



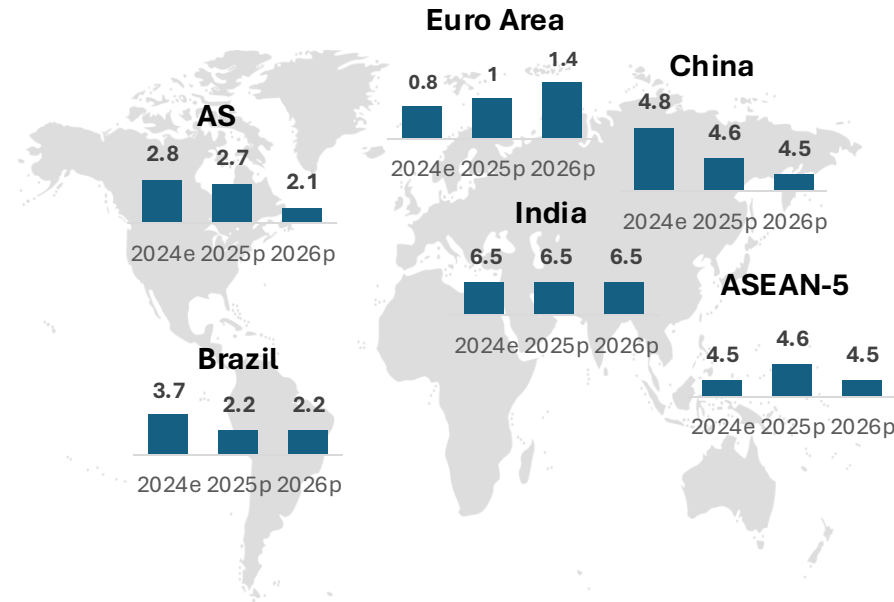
Source: CEIC

Global Economic Growth Projection (% YoY)



Source: WEO IMF Jan 25, GEP WB Jan 25, and OECD Report Dec 24

Economic Growth Projections of Several Countries (% YoY)



Source: WEO IMF Jan 25

Global Economic Risks and Uncertainties

Economic and Geopolitical Policy Uncertainty

Economic Slowdown in Several Countries

High Inflation in Several Countries

Global Monetary Policy Differences

Global Financial Market Pressures

Dependence on Fiscal Policy

Impact of Climate Change and Energy Supply Disruptions

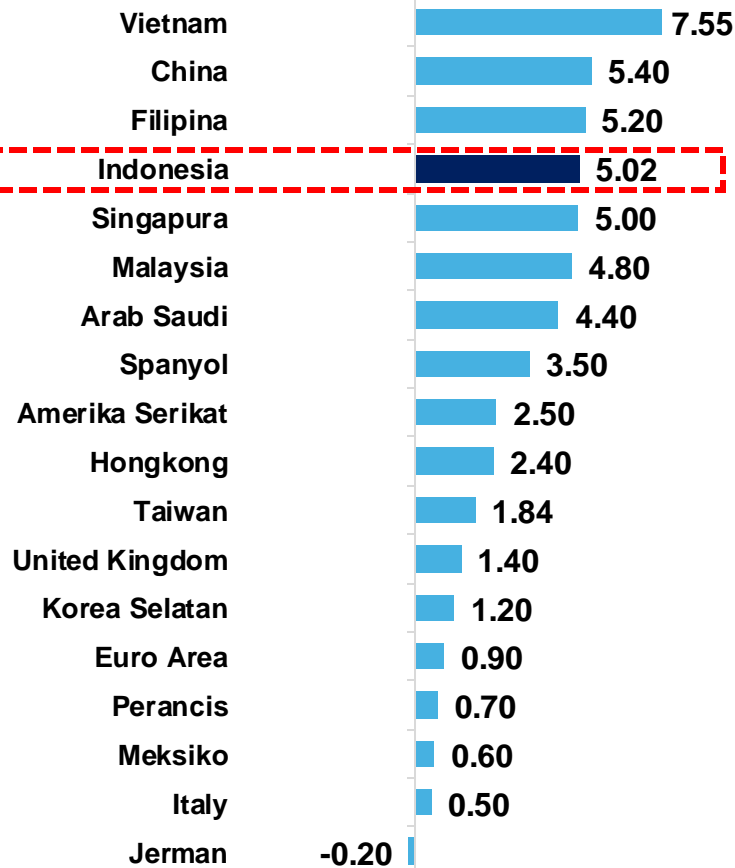
The New US Administration and Protectionism Policies



INDONESIA'S ECONOMY GREW 5.02% IN Q4-2024 & 5,03% in 2024, SOLID COMPARED TO OTHER COUNTRIES

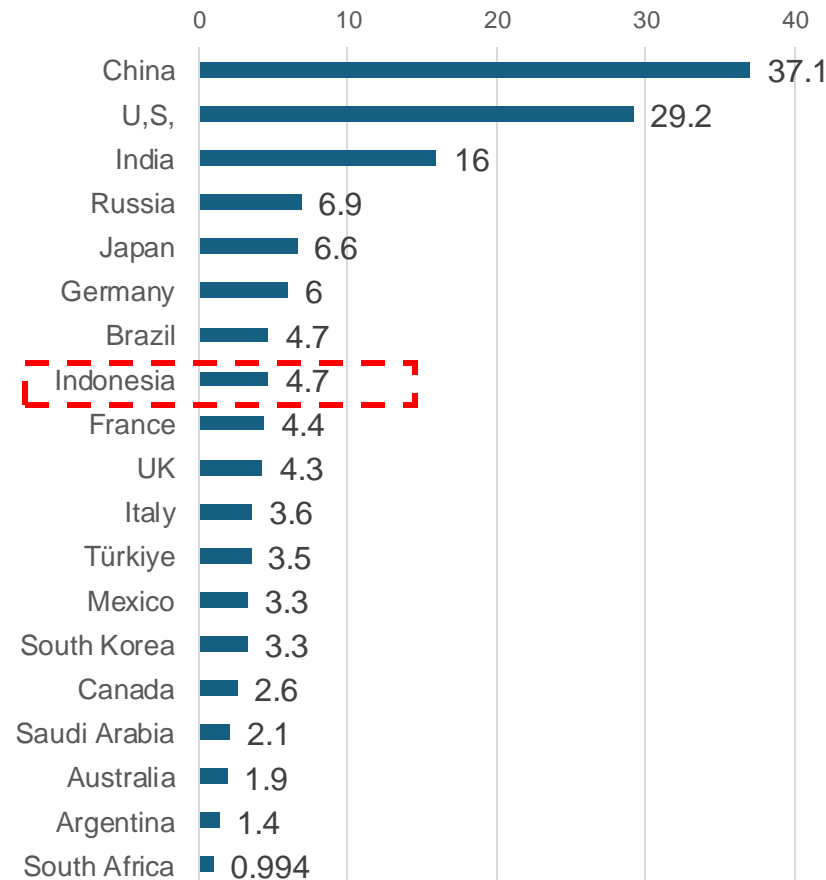
Amidst high global uncertainty, the probability of a recession in Indonesia is relatively low (5.00%) compared to other countries.

Economic Growth Q4-2024 (%YoY)

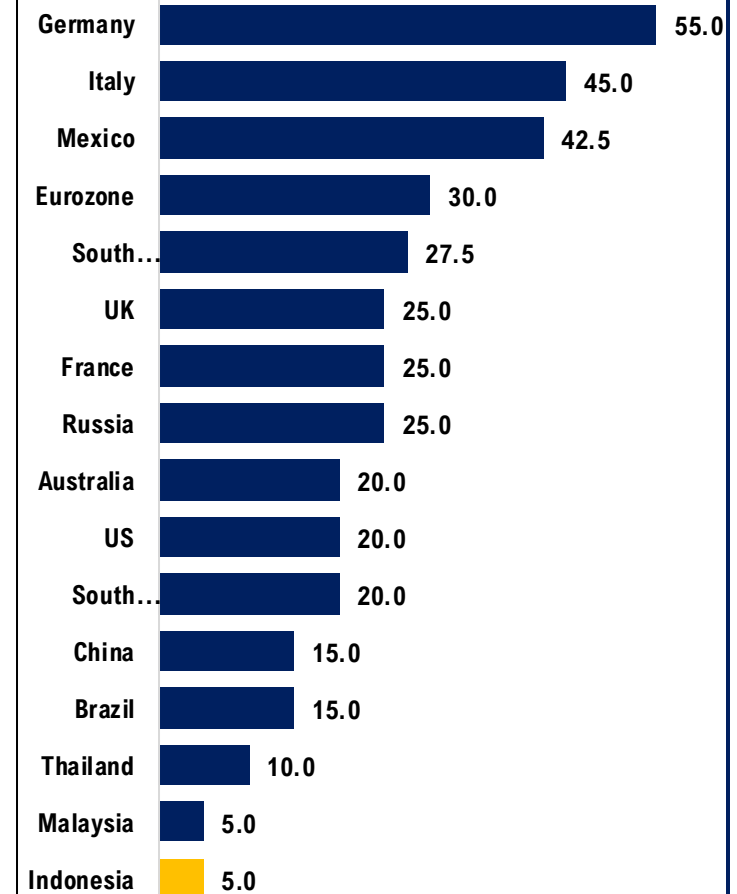


Note: *) the country has updated until Q4/2024

PPP-adjusted GDP (2024) in Trillion International dollars



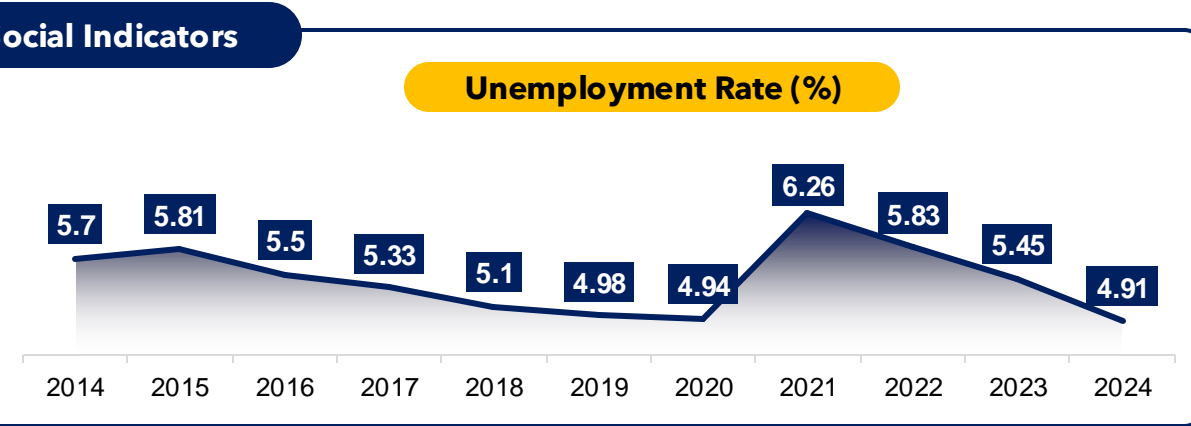
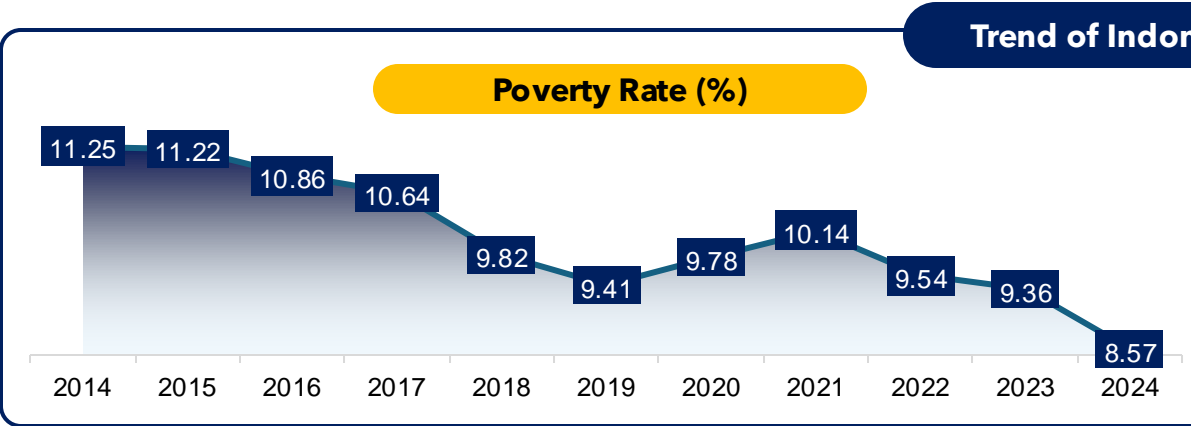
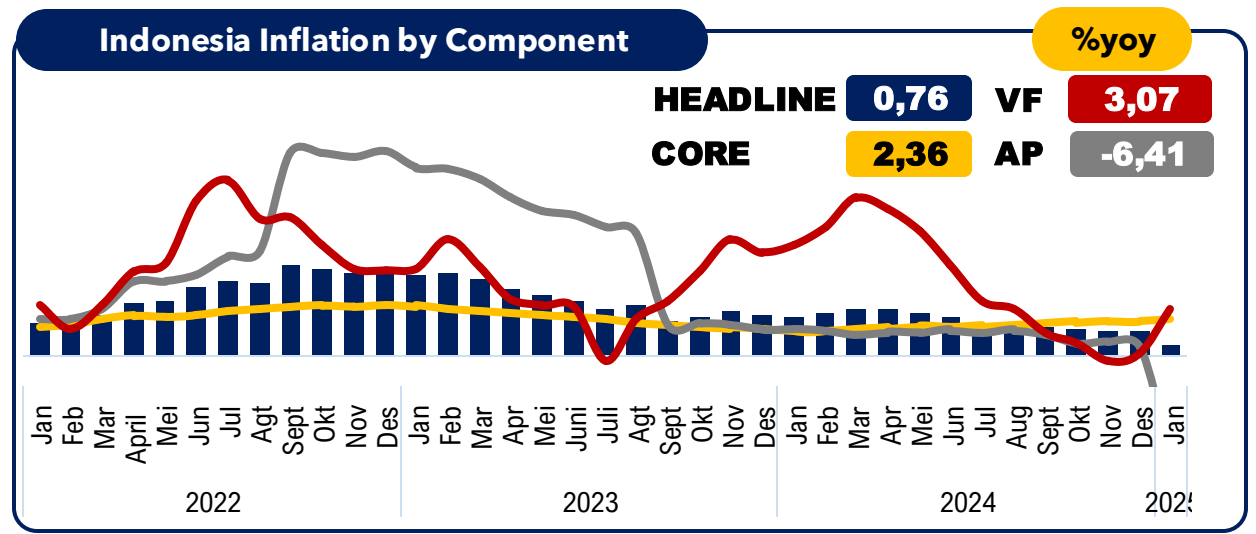
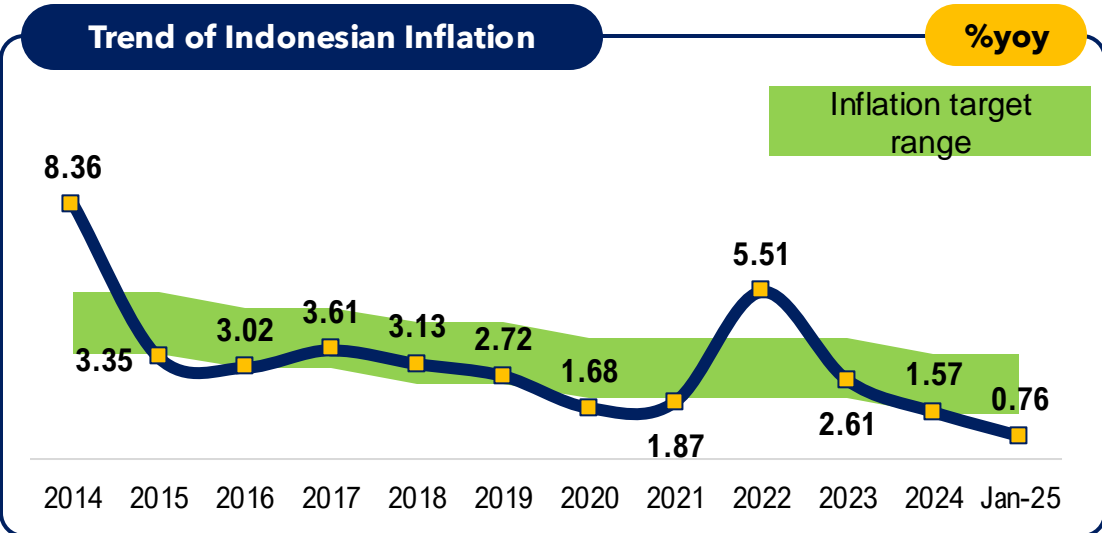
Recession Probability (%)





INDONESIA'S ECONOMY REMAINS STRONG AND RESILIENT, WITH STABLE INFLATION UNDER CONTROL.

- In the last decade, economic growth has remained stable at around 5%, accompanied by controlled inflation within the target range.
- Poverty and unemployment rates have also continued to show a downward trend to their lowest point in the last 10 years.



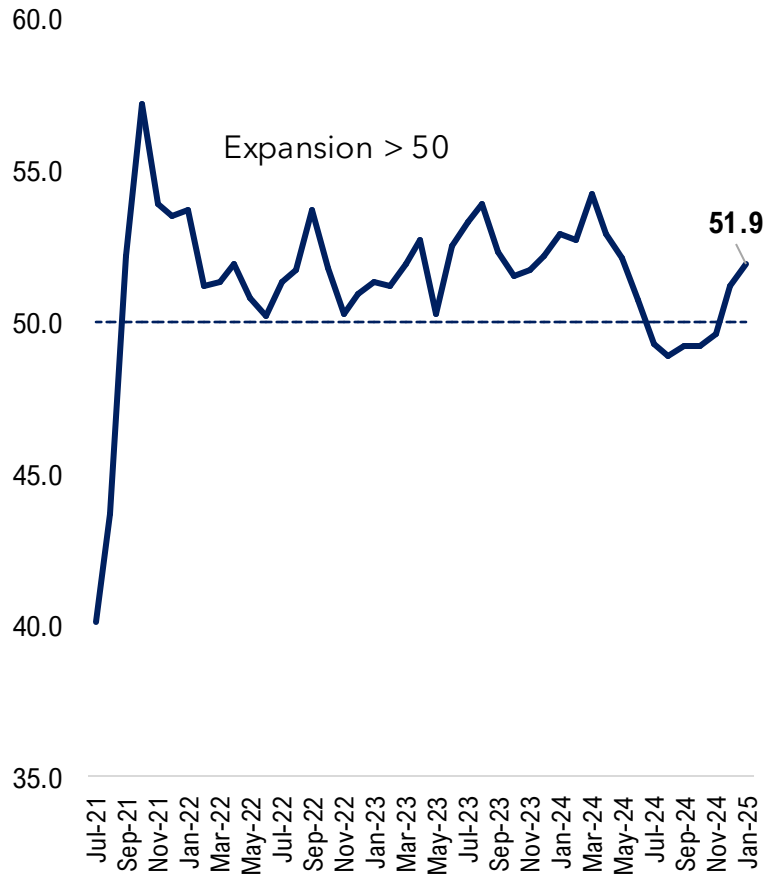
Source: Badan Pusat Statistik



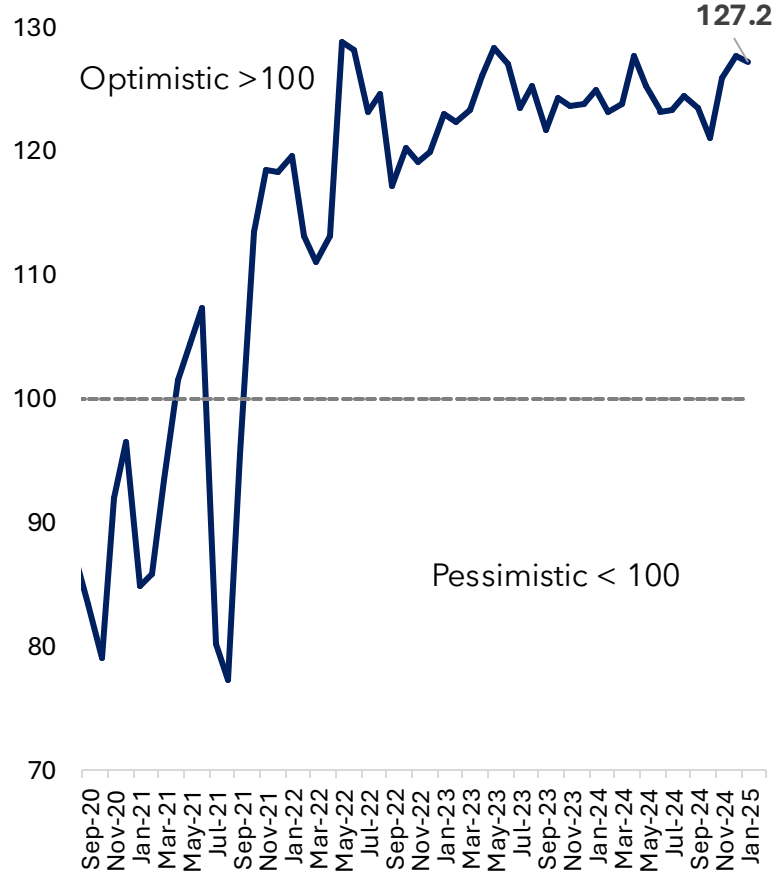
REAL SECTOR INDICATORS SHOW ECONOMIC RESILIENCE

January 2025 Manufacturing PMI remained in expansion territory at 51.9, while domestic demand continued to show a positive outlook, as indicated by the sustained optimism in the Consumer Confidence Index (CCI) and the growth in the Real Sales Index.

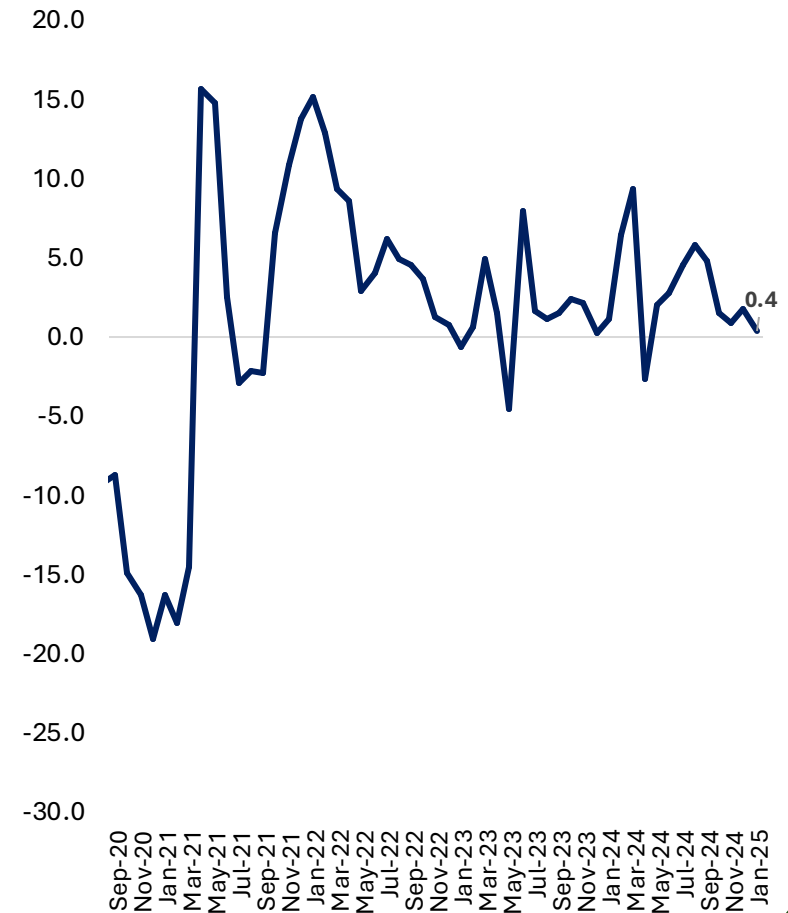
Manufacturing PMI



Consumer Confidence Index (CCI)



Real Sales Index (%)

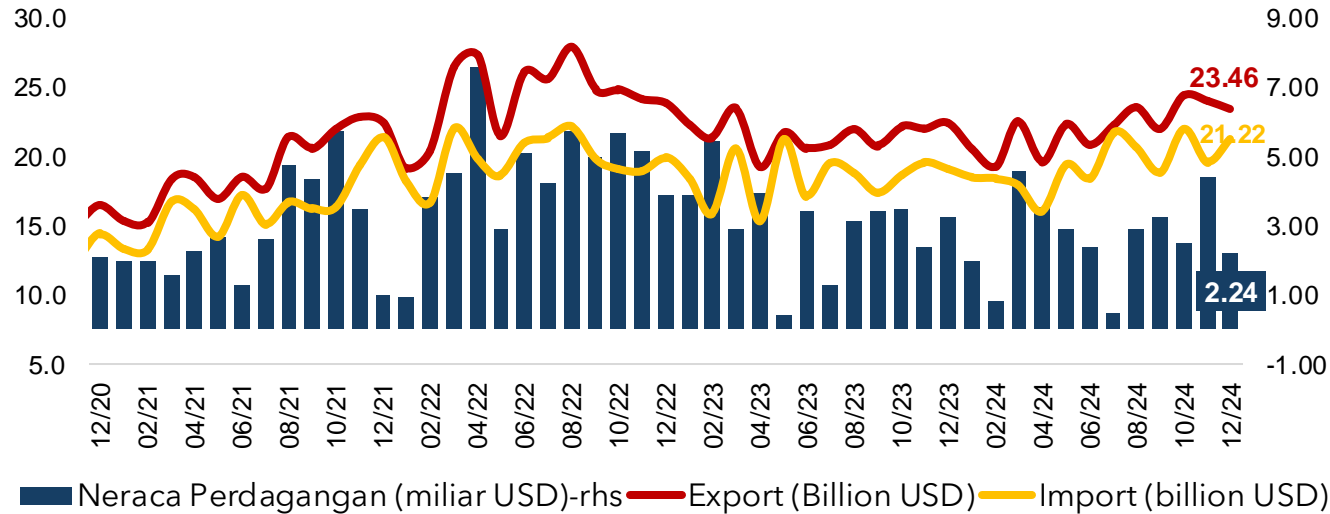




INDONESIA'S TRADE BALANCE REMAINS SURPLUS

Indonesia's trade balance has been in surplus for 56 consecutive months since May 2020. In 2024, the balance sheet recorded a surplus of USD31 billion, driven by export growth (2.3%) which was lower than imports (5.3%). Export commodities that grew by double digits were nickel (17.3%), precious metals (18.3%), and footwear (10.1%)

Indonesia's Trade Balance



Trade Balance (USD Billion)

	2019	2020	2021	2022	2023	2024	%Yoy (24-23)
Total Balance	-3.6	21.6	35.4	54.5	36.9	31.0	
Non-Oil and Gas Balance	6.5	27.6	48.7	78.9	56.8	51.4	
Oil & Gas Balance	-10.1	-6.0	-13.3	-24.4	-19.9	-20.4	
Export	167.7	163.2	231.6	291.9	258.8	264.7	2.3
Import	171.3	141.6	196.2	237.4	221.9	233.7	5.3

10 Indonesia's Largest Non-Oil and Gas Export Commodities

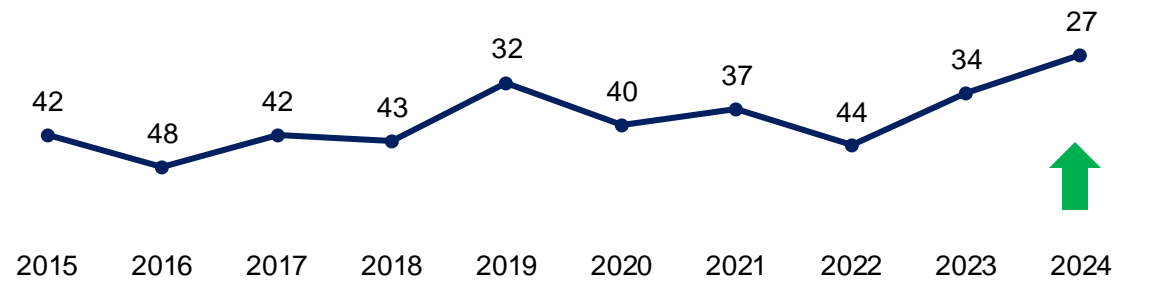
No	Product Description(HS)	Share to Non-Oil and Gas Exports (%)	Export in 2023 (Billion USD)	Export in 2024 (Billion USD)	Change (%)
1.	Mineral fuels(27)	15.9%	43,6	39,7	-9,0
2.	Animal/vegetable fats and oils(15)	10,8%	28,5	26,8	-5,7
3.	Iron and steel(72)	10,4%	26,7	25,8	-3,4
4.	Electrical machines and equipment and their parts(85)	6,1%	14,3	15,1	5,0
5.	Vehicles and their parts(87)	4,4%	11,2	11,0	-1,3
6.	Nickel and goods from it(75)	3,2%	6,8	8,0	17,3
7.	Various chemical products(38)	2,6%	6,3	6,5	4,2
8.	Precious metals and jewelry/gems(71)	3,6%	7,5	8,9	18,3
9.	Footwear(64)	2,9%	6,4	7,1	10,1
10.	Mechanical Machinery and Equipment and Parts(84)	2,8%	6,5	6,9	7,5
Total 10 Commodities		61,6%	157,7	155,8	-1,2
Total Non-Oil and Gas Exports		100%	242,8	248,8	2,5



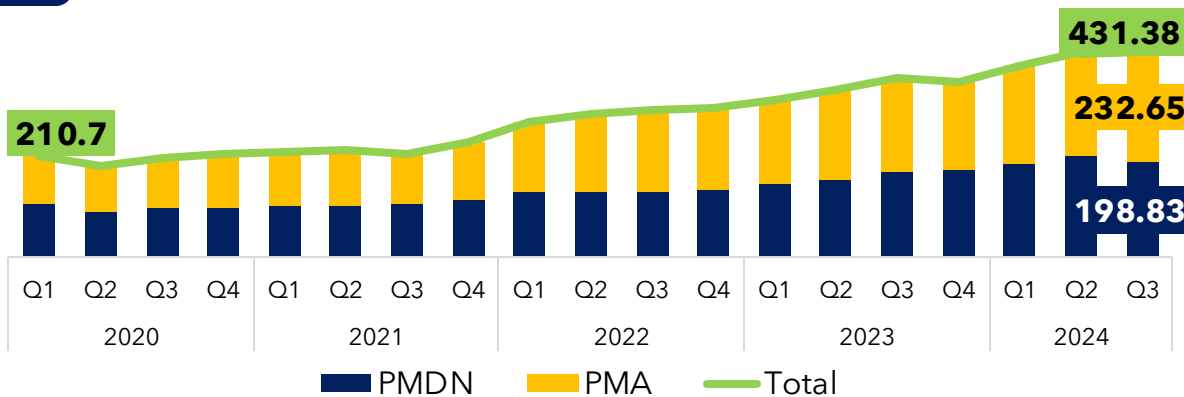
INDONESIA WITH INVESTMENT-GRADE PREDICATE WITH STRONG COMPETITIVENESS

IMD Global Competitiveness Index

Indonesia's competitiveness ranking



Investment Realization (IDR Trillion)



Rating Agency Assessment

Indonesia's *Sovereign Credit Rating* (SCR) is **one level above Investment Grade**

R&I

BBB+

Positive Outlook
(Sept. 30, 2024)

S&P

BBB

Stable Outlook
(July 30, 2024)

Moody's

Baa2

Stable Outlook
(Apr 16, 2024)

JCR

BBB+

Stable Outlook
(Mar 22, 2024)

Fitch

BBB

Stable Outlook
(Mar 15, 2024)

- R&I believes that Indonesia's solid economic condition will continue, supported by stronger economic fundamentals, maintained external resilience, and low fiscal deficit and government debt ratio.
- R&I also believes that price stability will be maintained, supported by Bank Indonesia's disciplined monetary policy and closer cooperation with the Government in the Central and Regional Inflation Control Teams (TPIP and TPID).

Source: Ministry of Investment, IMD Global, S&P, Moody's, Fitch, and JCR



POLICIES FOR ACHIEVING THE 2025 ECONOMIC GROWTH TARGET

ECONOMIC GROWTH-DRIVING POLICIES Q1-2025

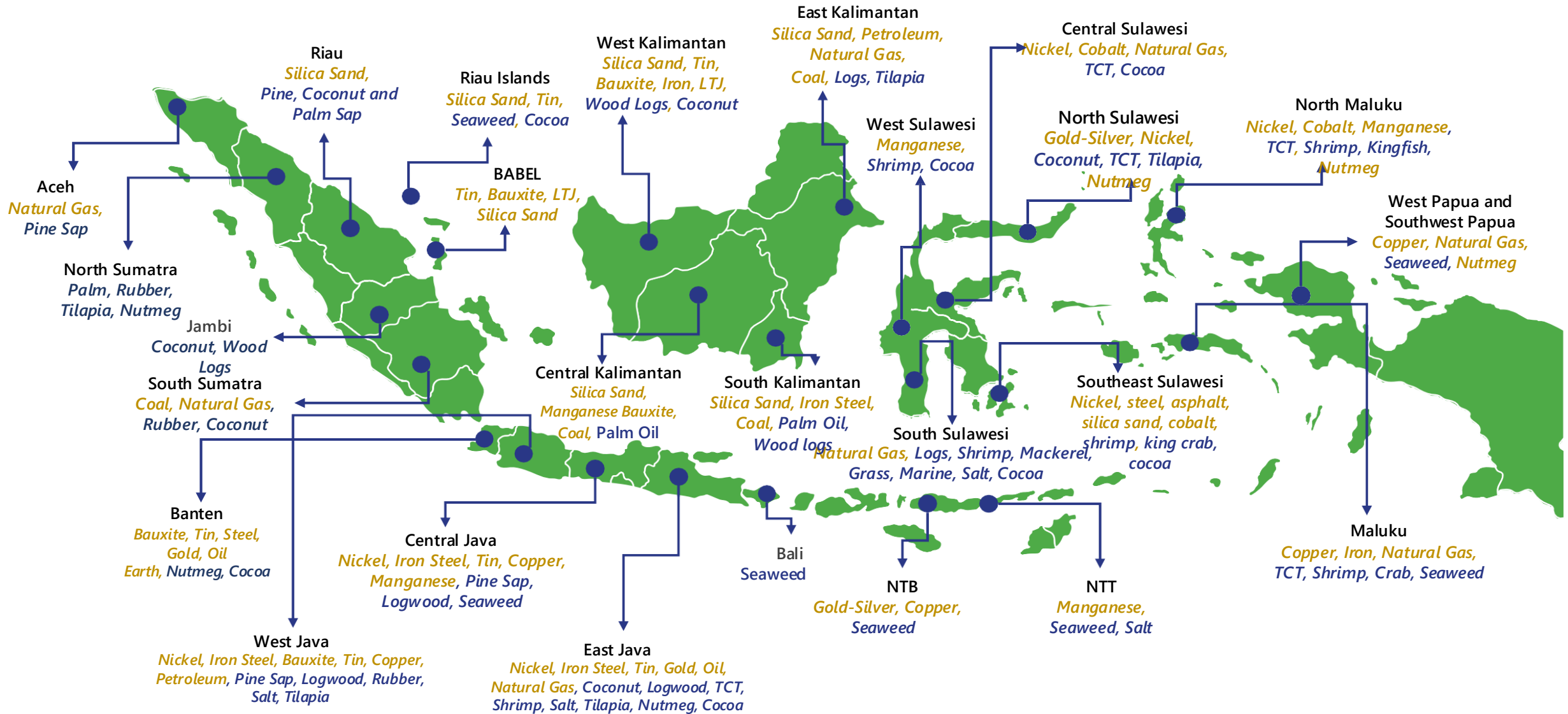
1. Impact of the 2024 Minimum Wage Policy Increase
2. Optimization of Social Assistance Distribution, including Family Hope Program (PKH), Staple Food Card, Smart Indonesia Program (PIP), Smart Indonesia Card (KIP), and Village Fund Direct Cash Assistance (BLT-DD), in February and March 2025
3. Disbursement of Eid Allowances for State Civil Apparatus and Private Workers in March 2025
4. Ramadan and Eid Holiday Stimulus Package:
 - a. Discounts on Airfare Tickets
 - b. Toll Road Fare Discounts
 - c. Shopping Discount Programs,
 - d. Tourism Promotion Programs during Ramadan and Eid Homecoming,
 - e. Food Price Stabilization
5. Economic Stimulus Packages:
 - a. Electricity Tariff Discounts
 - b. VAT Exemption for Property and Automotive (EV) Purchases
 - c. Luxury Tax (PPnBM) Exemption for EVs and Hybrids
 - d. Subsidies/Tax Exemption for Electric Motors
 - e. Income Tax (PPH) Exemption for Labor-Intensive Sectors
6. Implementation of the Free Nutritious Meal Program (MBG)
7. Optimization of People's Business Credit (KUR) Disbursement
8. Optimal Realization of Rice Harvesting

POLICIES TO ENHANCE COMPETITIVENESS FOR ECONOMIC TRANSFORMATION

1. Implementation of the Free Nutritious Meal Program (MBG)
2. Food and Energy Resilience Program
3. Optimization of SOE Management through Danantara
4. Implementation of the Housing Financing Liquidity Facility (FLPP) for the 3 Million Housing Program
5. Inflation Management Aligned with Targeted Goals
6. **Development of Industrial Estates and Special Economic Zones (KEK)**
7. Investment Credit for Labor-Intensive Industries
8. **Revision of Government Regulation (PP) No. 5 of 2021 to Improve Ease of Doing Business**
9. **Optimization of Tax Holiday and Tax Allowance Policies to Maintain an Investment-Friendly Climate**
10. Expansion of Domestic Retention for Natural Resource Export Proceeds (DHE SDA)
11. Implementation of the Bullion Bank Establishment
12. Bad Debt Collection Write Off for MSMEs
13. Strengthening International Economic Cooperation:
 - a. Indonesia's Participation in BRICS
 - b. Finalization of the Indonesia-Canada Comprehensive Economic Partnership Agreement (CEPA)
 - c. Indonesia's Accession to the OECD



DOWNSTREAM STRATEGIC INVESTMENT POTENTIAL IN INDONESIA





ENHANCING INVESTMENTS AND INDUSTRIES THROUGH SEZs FOR GREATER ECONOMIC VALUE

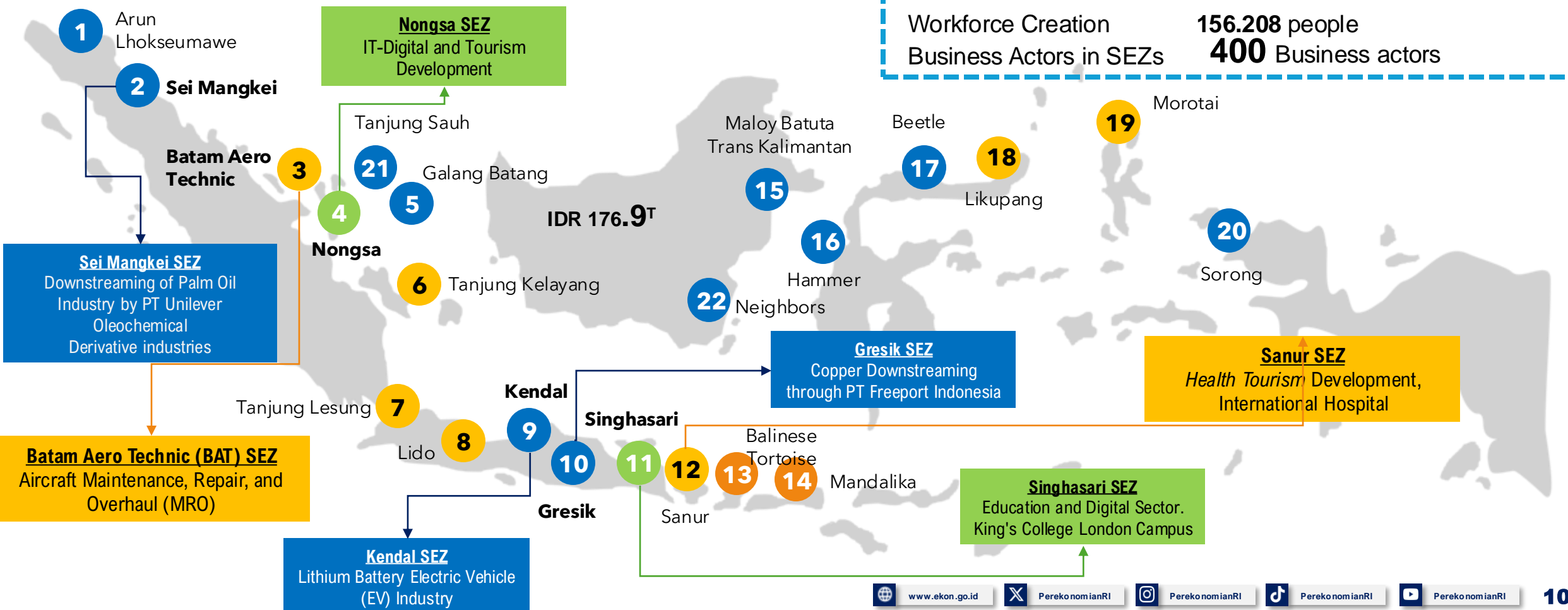
- Performance Achievements of All SEZs (Cumulative as of December 10, 2024): Realized Investment of IDR 256.7 trillion, with 156,208 jobs created and a total of 400 business entities operating.
- SEZ Performance in 2024 (as of December 10, 2024): Realized Investment of IDR 82.6 trillion, with 42,930 jobs created.

INVESTMENT REALIZATION CUMULATIVE AS OF DECEMBER 10th, 2024

IDR256,7 T

Realization of Regional Investment & Business Actors (Without Using State Budget)

<div style="background-color: #003366; color: white; padding: 5px; font-weight: bold; font-size: 1.5em;">12%</div> <p>Realization Enterprises</p> <p>Nominal IDR33,5 T</p> <p>Workforce Creation 156.208 people</p> <p>Business Actors in SEZs 400 Business actors</p>	<div style="background-color: #003366; color: white; padding: 5px; font-weight: bold; font-size: 1.5em;">88%</div> <p>Business Actor Realization</p> <p>Nominal IDR226,2T</p>
---	--



EXAMPLES OF SEZ DEVELOPMENT IMPACTS: GRESIK SEZ, KENDAL SEZ, GALANG BATANG SEZ

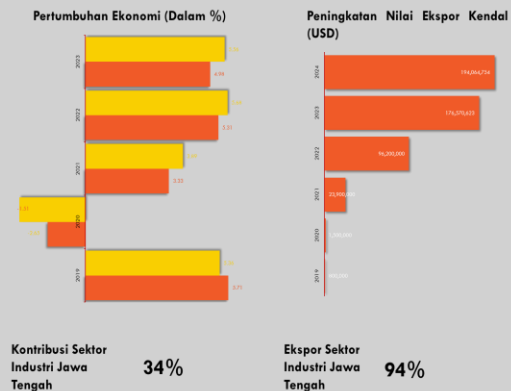
1. The role of Gresik SEZ in encouraging Industrial Downstreaming and the Regional Economy:



2. The role of Kendal SEZ in driving the regional economy and exports:

The economic growth (GRDP) of Kendal Regency shows a positive impact of the Kendal SEZ:

- In 2023, economic growth will be 5.56%, higher than Central Java (4.98%) and National (5.1%).
- Encouraging the contribution of Processing Industry to Central Java's GRDP 33-34%, increasing Central Java's exports which are dominated by industry around 94%.
- Increase in Export Value / Foreign Exchange since 2019



3. The role of the Galang Batang SEZ in driving the regional economy and exports:

- Through the development of Galang Batang SEZ, successfully produced and **exported > 2 million tons of alumina per year.**
- Bintan's economic growth (GRDP) was boosted so that it **grew by 6.14%** and the absorption of local labor in Bintan **> 5,000 people.**



ENERGY TRANSITION: CLEAN ENERGY COMMITMENT

Indonesia is strongly committed to maximizing the use of environmentally friendly energy, and this option is not a choice but a necessity.

BBN Development Program

- B35** Biodiesel
- E5** Bioetanol
- J2.4** Bioavtur
- D100** Diesel Nabati / Biodiesel (HVO)
- Bensa** Bensin Sawit (Palm Oil Gasoline)



PHASE OUT PEMBANGKIT LISTRIK BATU BARA

Electronic Vehicle

- Decarbonization CO2** Carbon Trade
- Decarbonization CO2** Carbon Tax

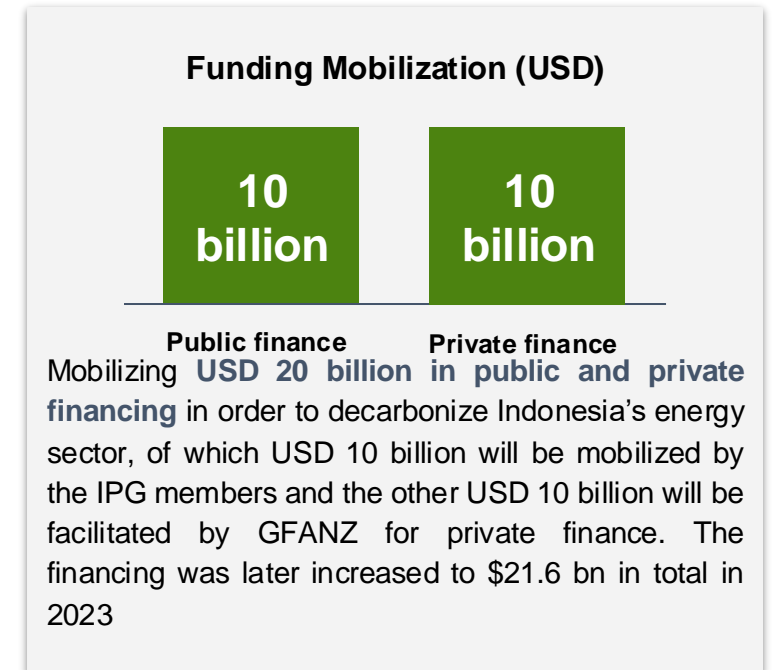
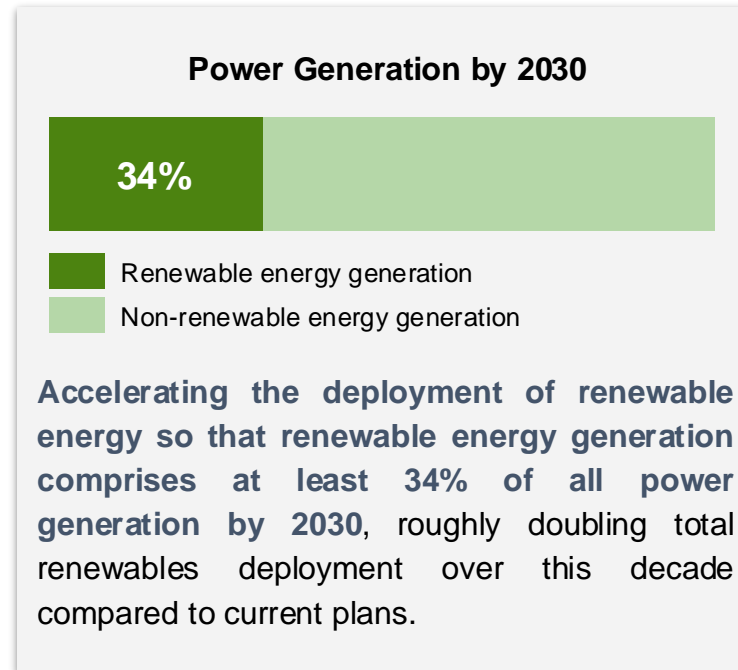
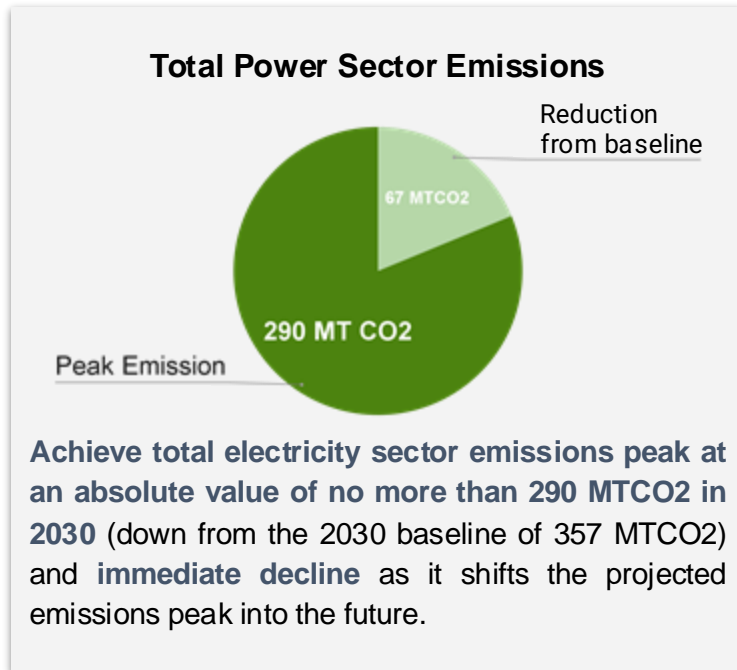


JETP INDONESIA STANDS AS THE LARGEST INDIVIDUAL ENERGY TRANSITION FINANCING EFFORT IN THE WORLD TO DATE

On 16 November 2022, the Government of Indonesia (GoI) and the International Partners Group (IPG) launched the Just Energy Transition Partnership for Indonesia (JETP Indonesia). The announcement generated significant attention from global stakeholders, including the press, civil society organizations, and international climate advocates, highlighting widespread support for Indonesia's energy transition efforts.



Joint-targets for the power sector as written in the Joint-Statement



DHE SDA PLACEMENT POLICY: INCREASED OBLIGATIONS AND EXPORTER FLEXIBILITY

- 1) The government has decided that the obligation to place **Foreign Exchange from Natural Resources (DHE SDA) in the Indonesian Financial System** will be increased to 100% with a 12-month period from placement in the Special DHE SDA Account.
 - This provision applies to the Mining Sector (excluding Oil and Gas), Plantation, Forestry, and Fisheries sectors.
 - The Oil and Gas sector is exempted, and will continue to refer to the provisions of Government Regulation No. 36 of 2023.

- 2) In addition, the government also provides **space for exporters to maintain the continuity of their business by using DHE SDA placed in a special account**, which will be counted as a reduction of the DHE SDA placement obligation, for the following uses:
 - **Exchange to Rupiah** in the same bank, for operational activities and to maintain business continuity;
 - **Payment in foreign currency for tax obligations, Non-Tax State Revenues, and other obligations to the government** in accordance with applicable laws and regulations;
 - **Payment of dividends** in foreign currency;
 - Payments for **the procurement of goods and services**, such as raw materials, auxiliary materials, or capital goods that are not available, unavailable, partially available, or available but do not meet specifications, domestically in foreign currency;
 - **Repayment of loans for capital goods procurement** in foreign currency.

- 3) As part of efforts to ensure the effectiveness of this policy's implementation, the government has established that the new provisions regarding the inflow and placement of DHE SDA **will take effect starting on March 1, 2025.**



MAPPING INTERNATIONAL ECONOMIC COOPERATION

Indonesia benefits from the market and investment potential of various international forums

IEU-CEPA

Indonesia-European Union Comprehensive Economic Partnership
GDP: USD 16.6 Trillion
14% Global Trade
Population: 448 million
27 Countries
(Negotiation Process)

I-EAEU CEPA

Indonesia-Eurasia Economic Union CEPA
GDP: USD 2.5 Trillion
2.5% Global Trade
Population 182 million
5 Countries
(Negotiation Process)

G20

Group of 20
GDP: USD 88 Trillion
75% Global Trade
Population: 4.69 billion
20 Countries
(Member)

OECD

Organization for Economic Co-operation and Development
GDP: USD 59 Trillion
64% Global Trade
Population 1.38 billion
38 Countries
(Accession Process)

RCEP

Regional Comprehensive Economic Partnership
GDP: USD 24.6 Trillion
27.4% Global Trade
Population 2.2 billion
15 Countries
(Member)

IPEF

Indo-Pacific Economic Framework
GDP: USD 31 Trillion
28% Global Trade
Population: 4.86 billion
14 Countries
(Member)

CP-TPP

The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)
GDP: USD 11 Trillion
14.7% Global Trade
Population: 503 million
11 Countries
(Accession Process)

BRICS+

Brazil, Russia, India, China, South Africa+
GDP USD 30.8 Trillion
40% Global Trade
Population 3.5 billion
11 Countries
(Accession Process)

ASEAN

Association of South East Asian Nations
GDP: USD 3.3 Trillion
7.7% Global Trade
Population 673 million
11 Countries
(Member)

INDONESIA - GCC FTA

- Indonesia and the Gulf Cooperation Council (GCC) are currently involved in negotiations on the Indonesia-Gulf Cooperation Council Free Trade Agreement (I-GCC FTA). The I-GCC FTA is expected to expand market access to the Middle East or Persian Gulf region.
- The I-GCC FTA negotiations were launched on July 31, 2024 in Jakarta and are targeted to be completed **within 2 (two) years**.
- In 2023, total trade between Indonesia and the GCC will reach USD 15.7 billion. Indonesia's exports to the GCC in 2023 will reach USD 6.1 billion, while Indonesia's imports from the GCC will be USD 9.6 billion.
- The main export commodities of Indonesia's non-oil and gas exports to the GCC include cars and motor vehicles, palm oil, jewelry, lightships, paper, and uncoated paperboard.
- Meanwhile, Indonesia's main non-oil and gas import commodities from the GCC are semi-finished products of iron or non-alloy steel, acyclic alcohol, sulfur, polymers of ethylene, and unwrought aluminum.





THANK YOU