



# Indonesia Economic Prospects, December 2023

## Part A: Economic Context, Policies, and Outlook

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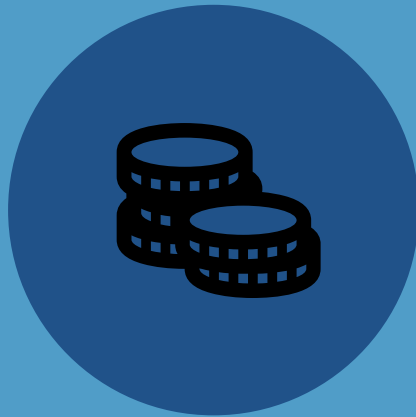


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# Outline



**ECONOMIC CONTEXT: STRONG  
DOMESTIC DEMAND AMIDST  
DIFFICULT EXTERNAL CONTEXT**



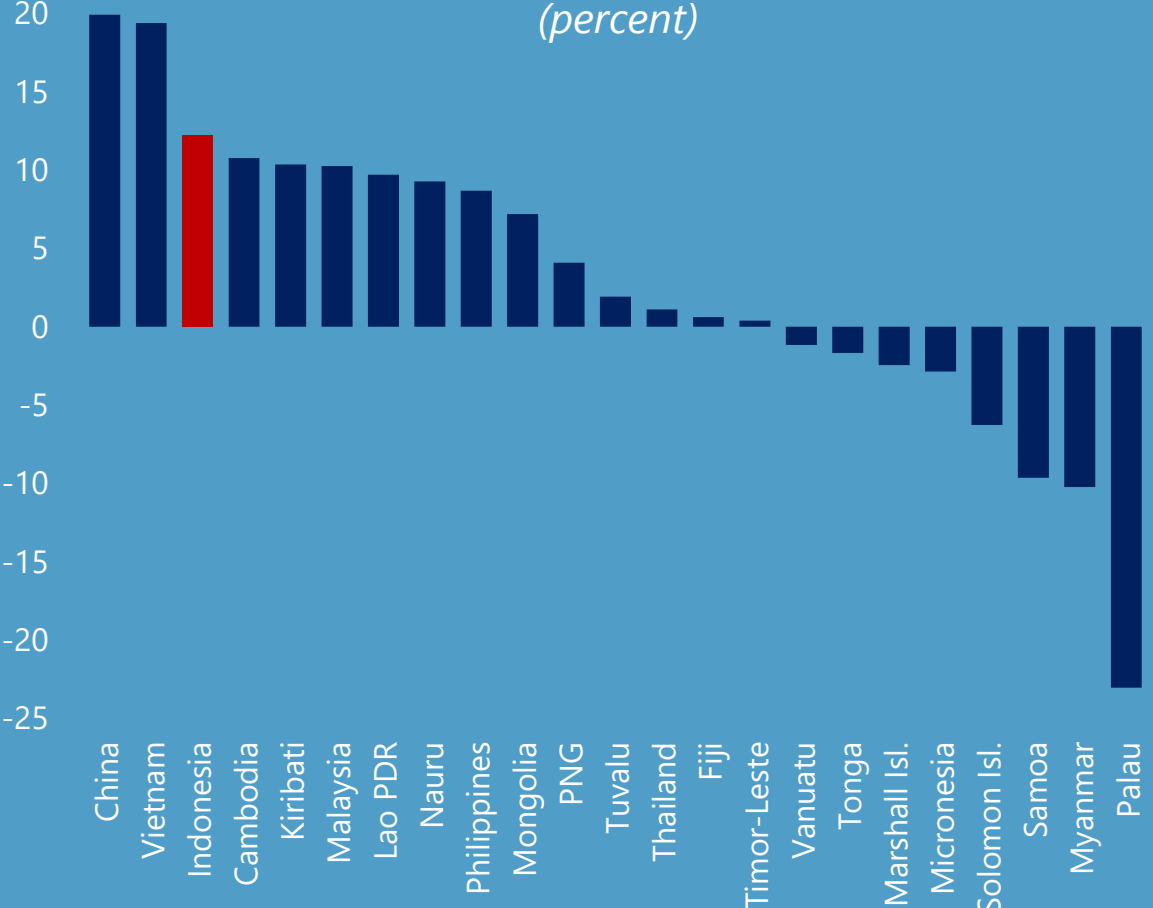
**POLICY RESPONSE: MONETARY  
BALANCING ACT AND FISCAL  
PRUDENCE TO BUILD BUFFERS**



**ECONOMIC OUTLOOK: SUSTAINED  
DOMESTIC DEMAND WITH SHORT-  
TERM CONSTRAINTS TO  
STRUCTURAL SHIFT IN SUPPLY**

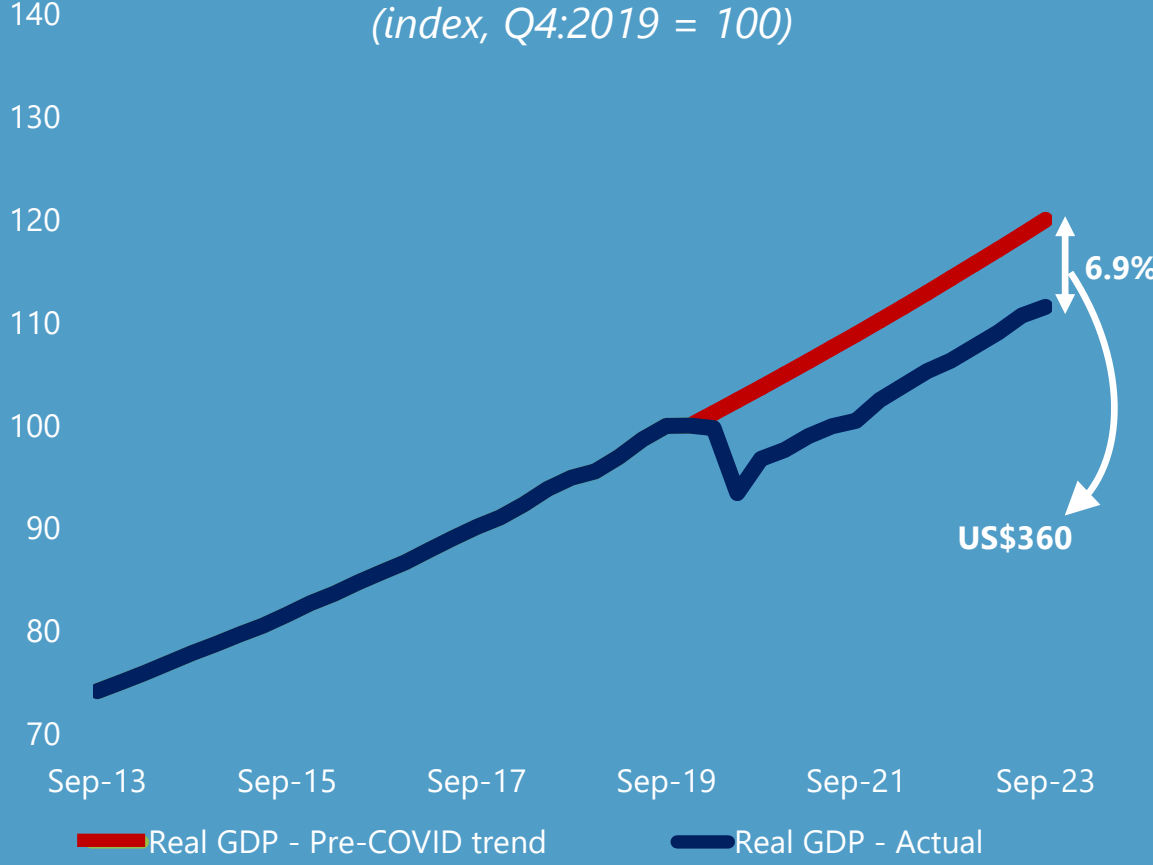
# Strong Cyclical Demand with Structural Constraints to Supply

**GDP Relative to Pre-pandemic**  
(percent)



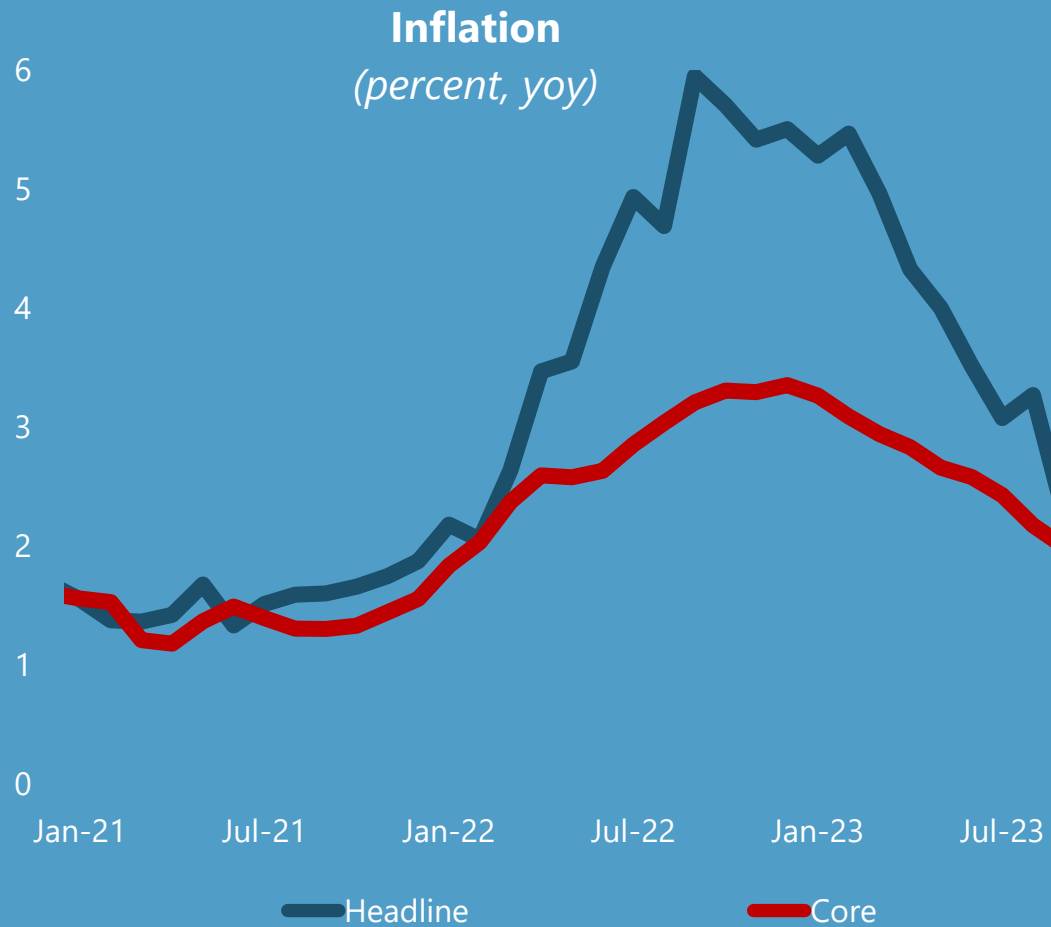
Source: EAP Economic Update.

**Pre-pandemic GDP trend and Actual GDP**  
(index, Q4:2019 = 100)

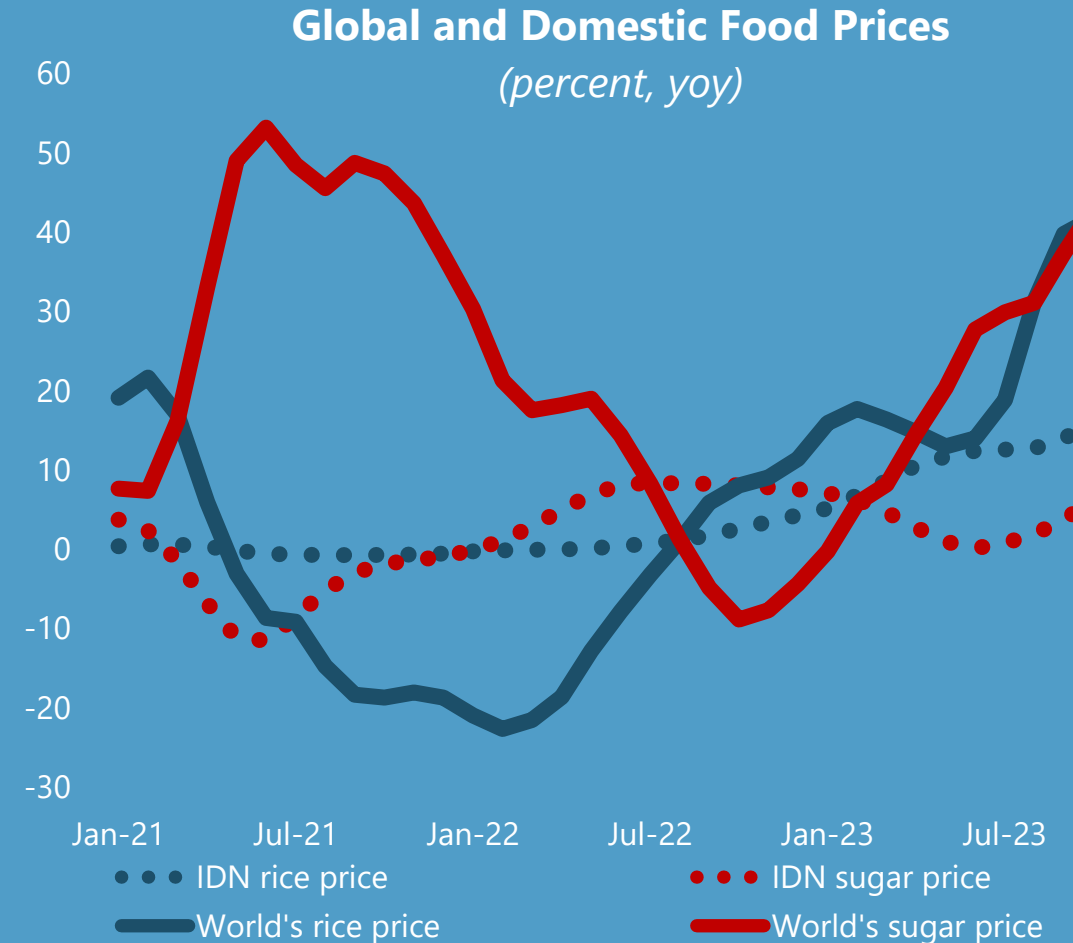


Source: BPS; CEIC; World Bank staff calculations.

# Inflation Has Moderated but Supply Risks Remain

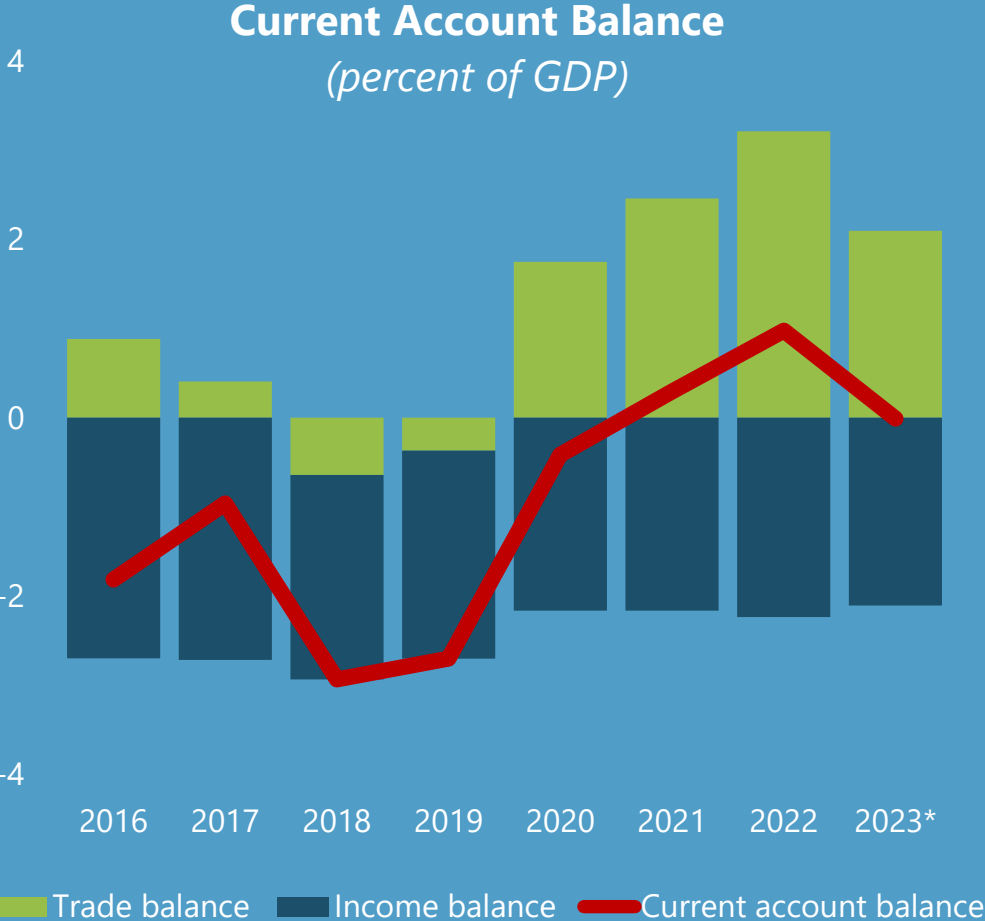


Source: BPS; CEIC; World Bank staff calculations.

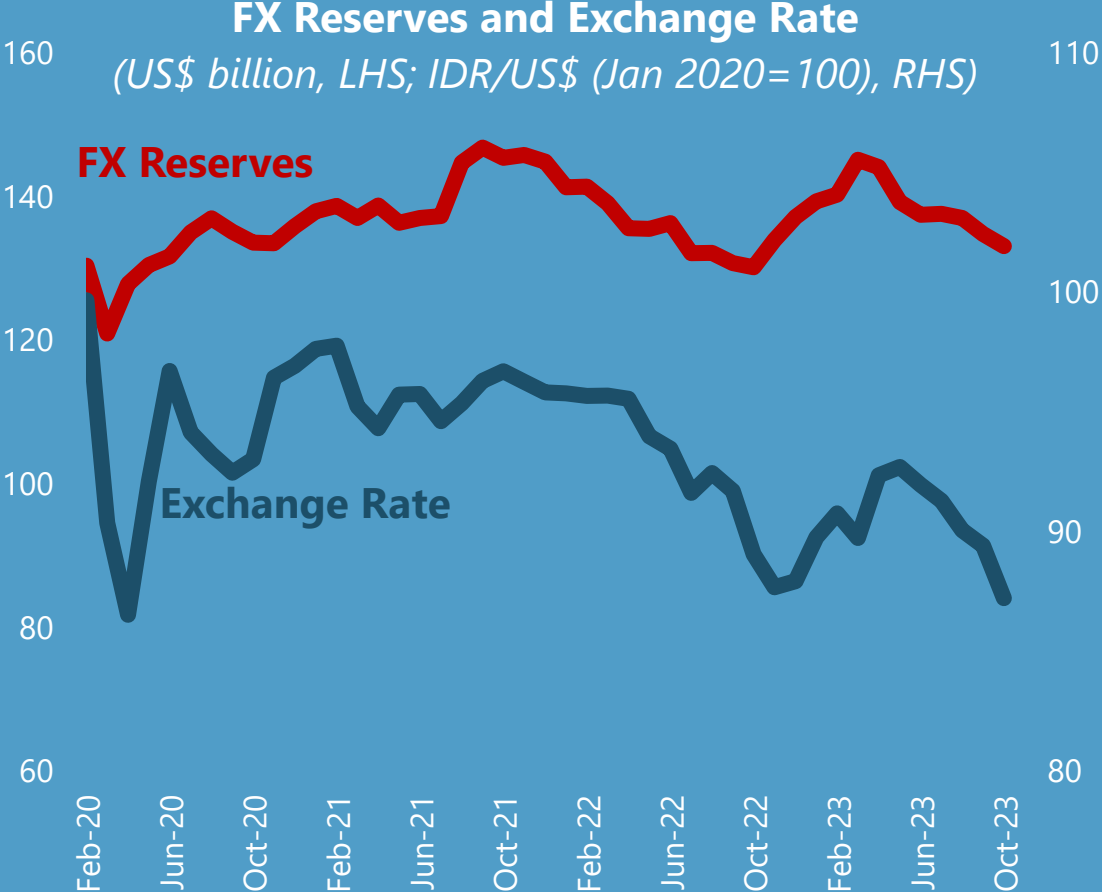


Source: BPS; World Bank Commodity Price Pink Sheet.

# Strong External Position Helps Weather Turbulence

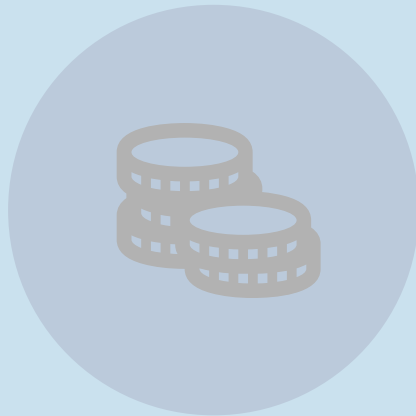


Source: BPS; CEIC; World Bank staff calculations. Note: 2023 data is year-to-date.



Source: BI; CEIC; World Bank staff calculations.

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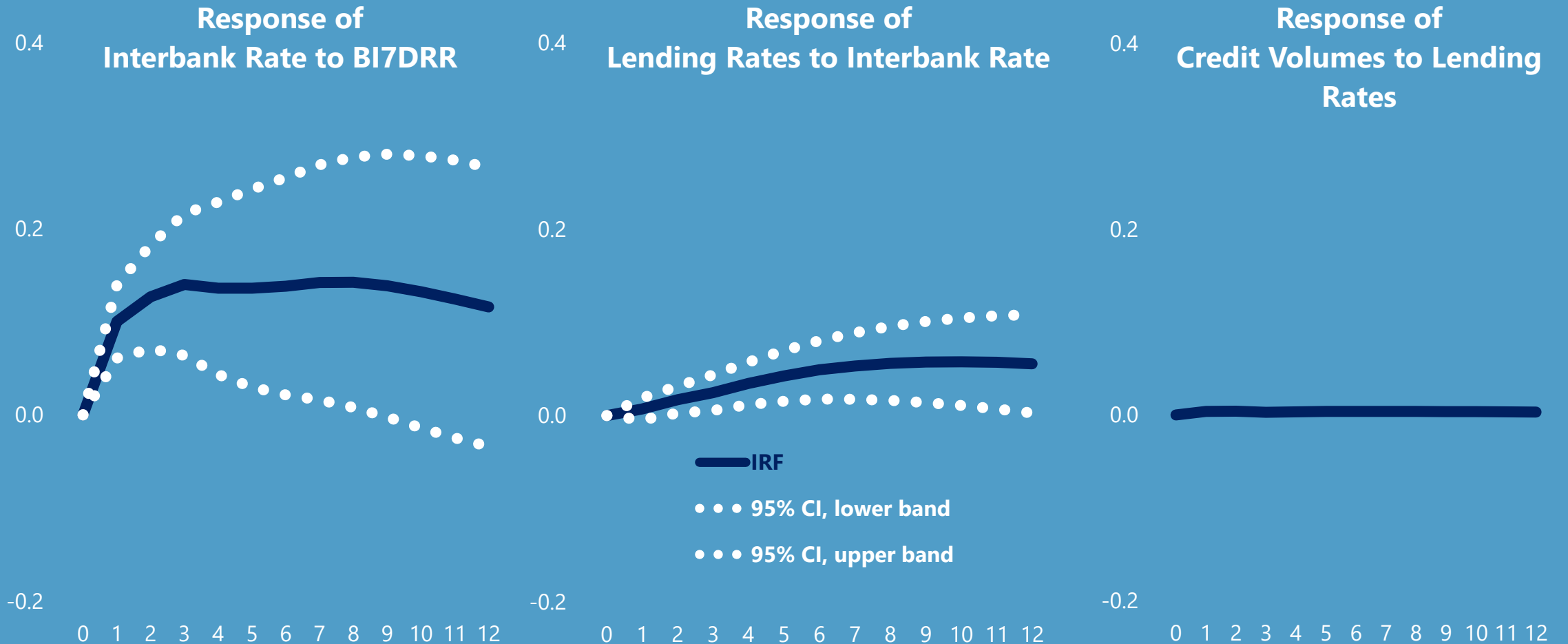


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# Policy Rate Adjustments and Impact on Credit



Source: World Bank staff estimates. Note: IRF is Impulse Response Function.

# Bank Indonesia Implements Measures to Sustain Liquidity

- Reducing the RRR for bank lending to priority sectors
- Extending looser prudential requirements for mortgages and car loans
- Lowering macroprudential liquidity buffer on IDR-denominated assets for banks

## Lower Required Reserve Ratio when Lending to Priority Sectors

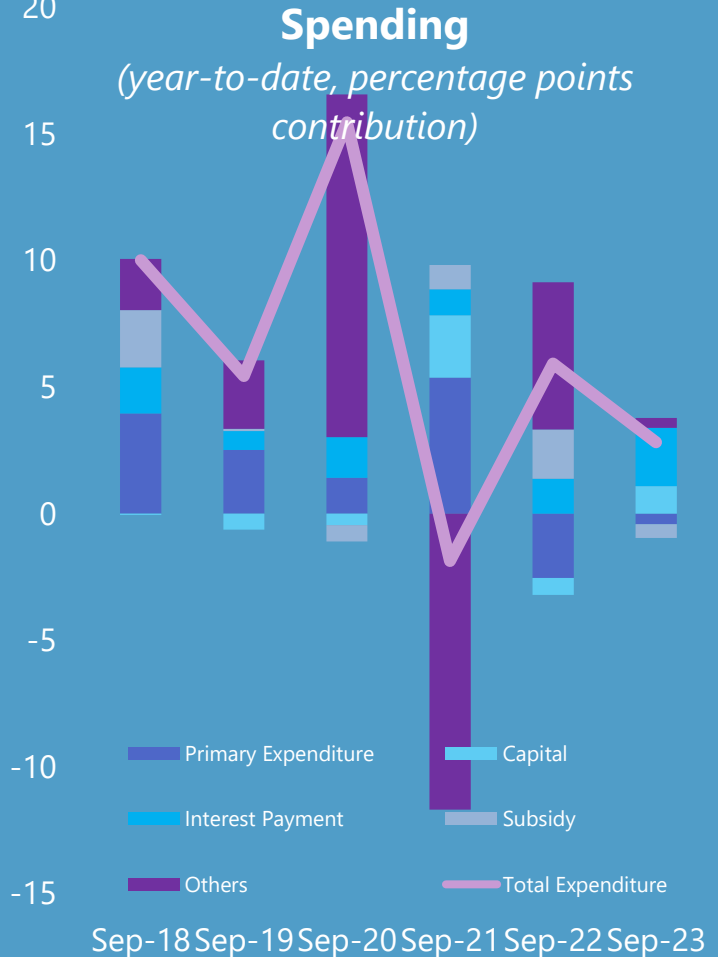
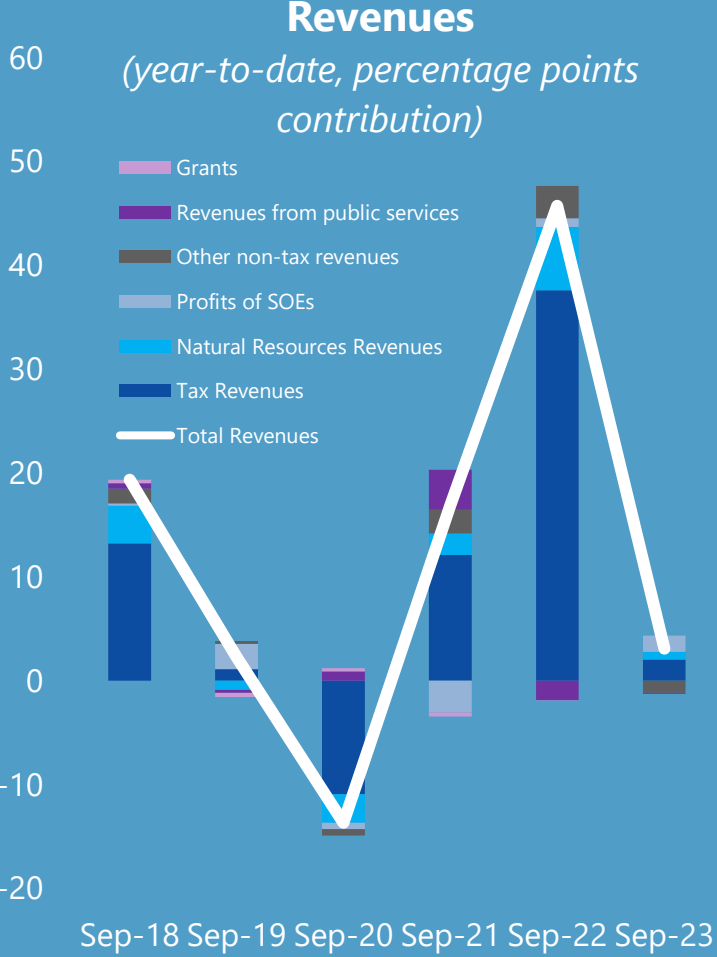
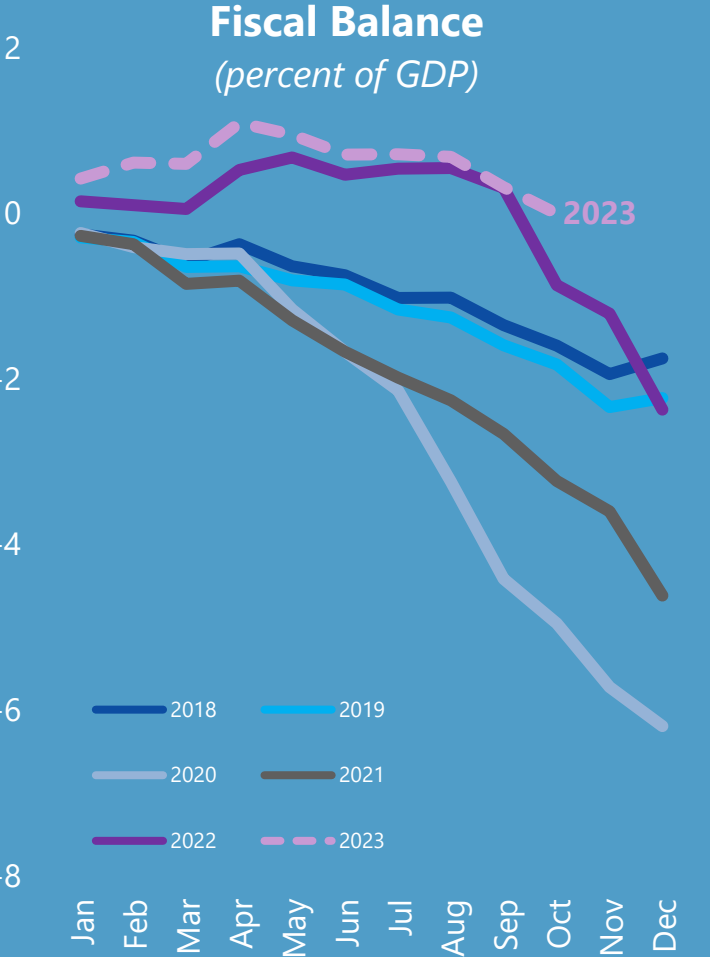
*(percentage points cuts of RRR by priority sector)*

Lending in Selected Sectors	Maximum Incentives
Priority sectors (downstreaming, housing, tourism)	2.0
Credit to MSMEs	1.0
Ultra-micro credit	0.5
Green property of vehicle credit	0.5
<b>Total of maximum incentives</b>	<b>4.0</b>

Source: Bank of Indonesia.

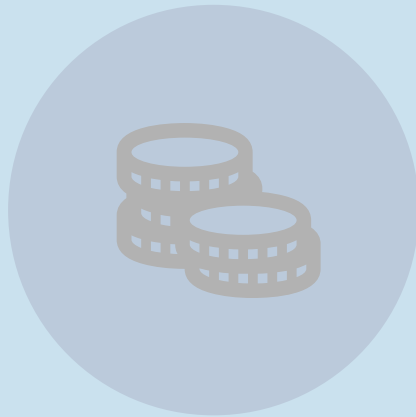


# Fiscal Policy Remains Very Prudent



Source: Ministry of Finance; CEIC; IMF Fiscal Monitor; World Bank staff calculations.

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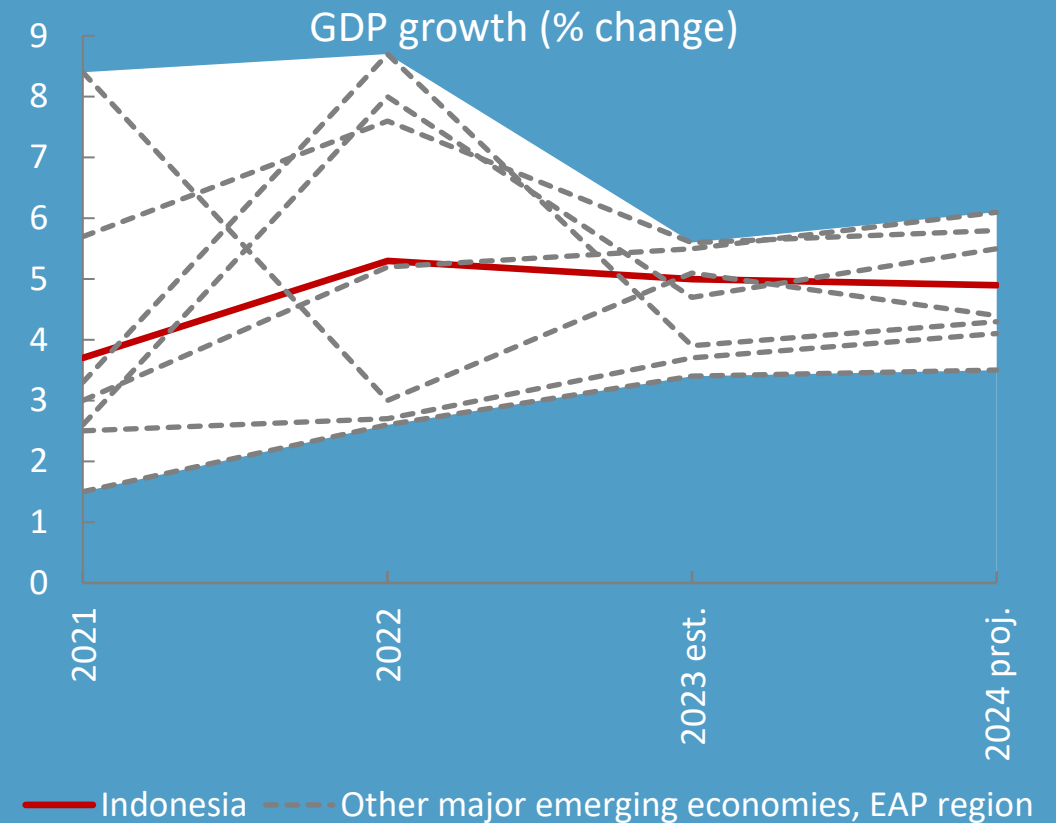


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# Sustained Demand and External Headwinds

	2022	2023	2024	2025	2026
	Actual	Est.	Projection		
Real GDP (% , yoy)	5.3	5.0	4.9	4.9	5.0
Consumer price inflation (% , yoy)	4.2	3.7	3.2	3.0	3.0
Fiscal balance (% of GDP)	-2.4	-2.1	-2.3	-2.3	-2.3
Central government debt (% of GDP)	39.5	38.7	38.1	37.8	37.3
Current account balance (% of GDP)	1.0	-0.1	-0.7	-1.2	-1.4

Source: Indonesia Economic Prospects.



Source: EAP Economic Update

Note: Dotted lines are for Cambodia, China, Lao PDR, Malaysia, Philippines, Thailand, Vietnam

# Thank You

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