



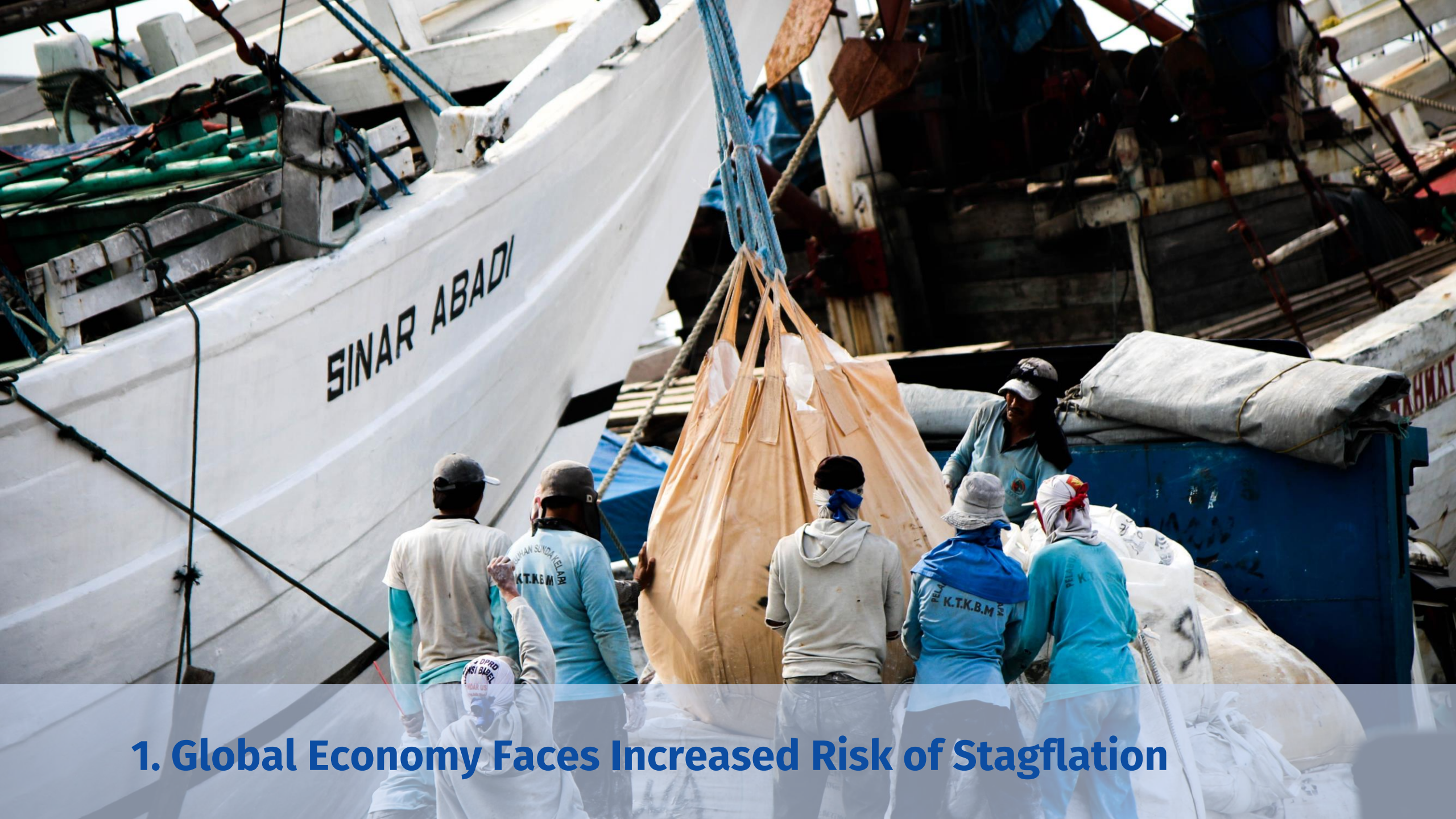
# Financial Deepening for Stronger Growth and Sustainable Recovery

Indonesia Economic Prospects  
June 2022

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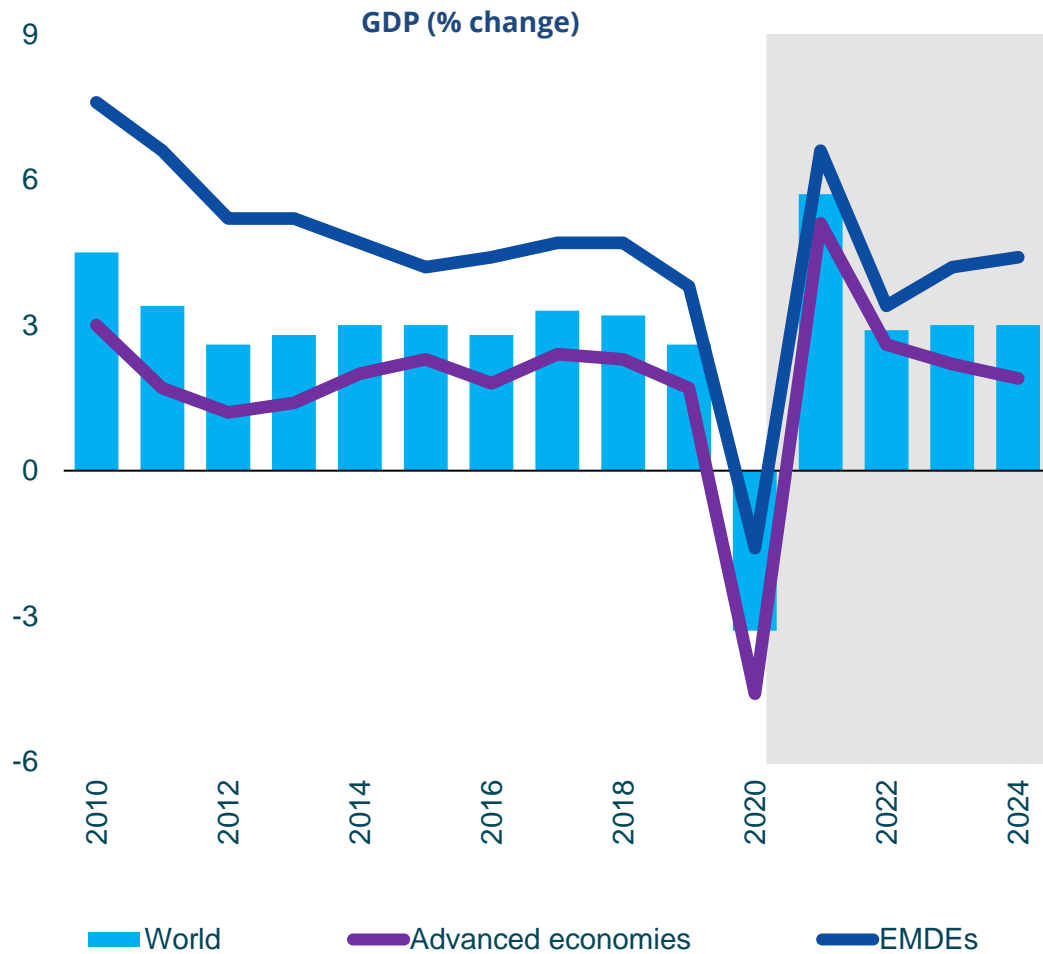
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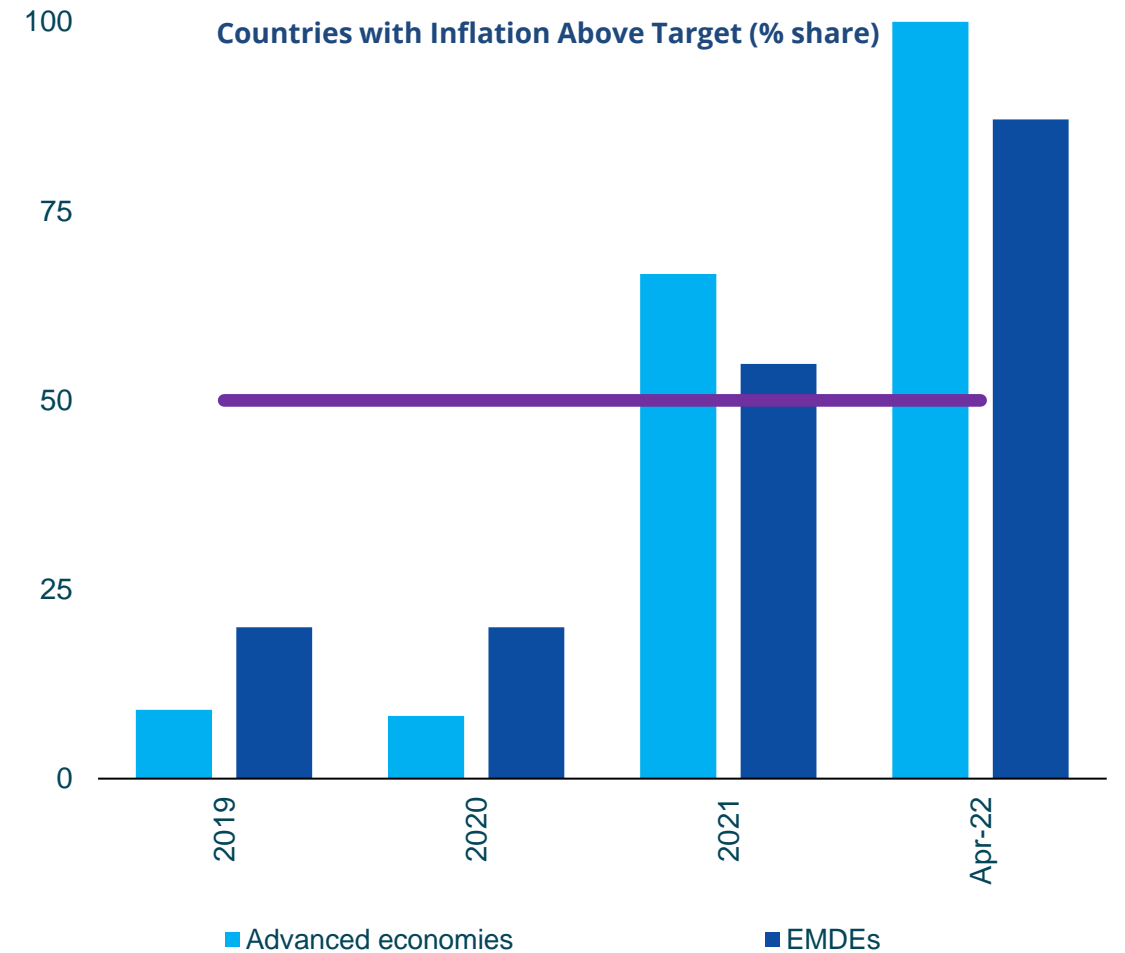
## 1. Global Economy Faces Increased Risk of Stagflation

## Global Growth Projected to Slow Sharply in the Medium-Term



Source: WBG Global Economic Prospects June 2022.

## Inflation Above Targets in Most Inflation-Targeting Countries



Source: WBG Global Economic Prospects June 2022.





## 2. Global Outlook Poses Risks for Growth and Inflation in Indonesia

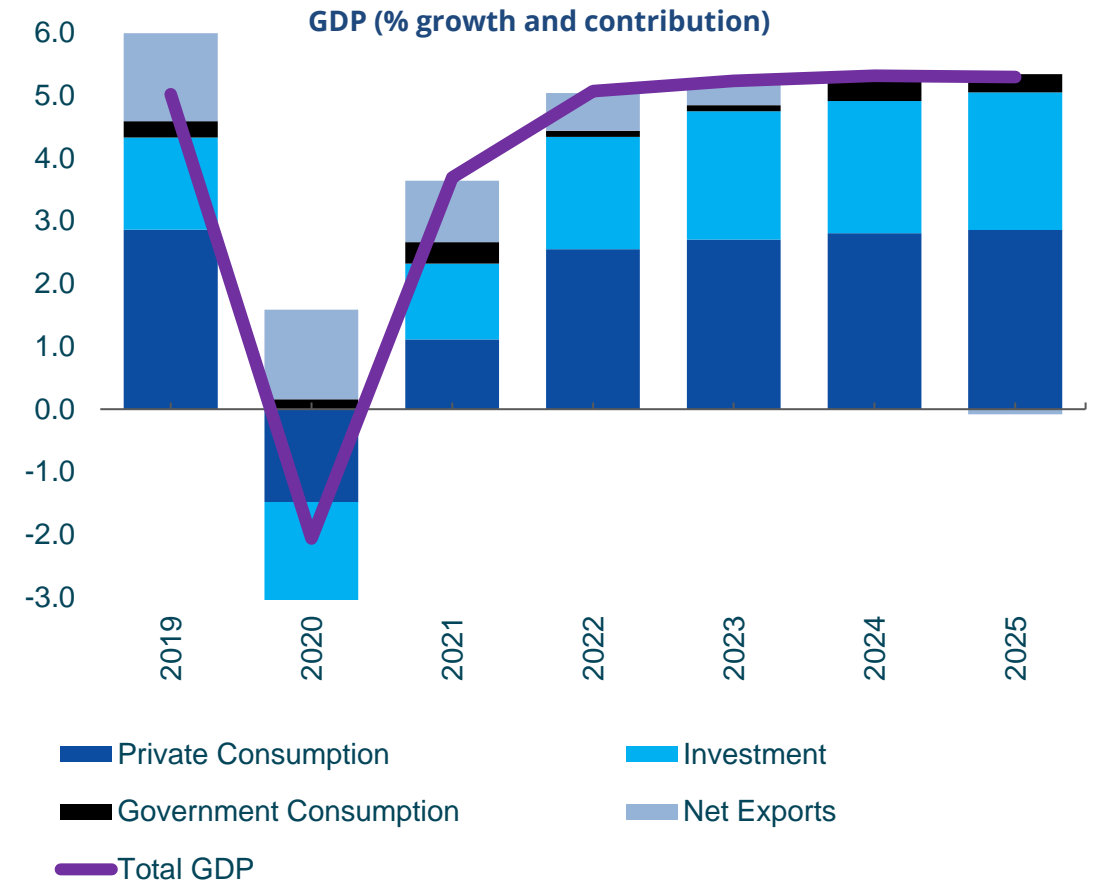


## Growth Acceleration on the Back of Commodity Prices and Domestic Demand

	2019	2020	2021	2022	2023	2024	2025
	Actual			WB projection			
Real GDP (% change)	5.0	-2.1	3.7	5.1	5.3	5.3	5.3
Consumer Price Inflation (CPI) (avg, %)	2.8	2.0	1.6	3.6	3.5	3.6	3.6
Fiscal Balance (% of GDP)	-2.2	-6.1	-4.6	-3.7	-3.0	-2.9	-2.9
Central Government Debt (% of GDP)	30.2	39.3	40.7	42.9	43.1	43.3	43.7
Current Account Balance (% of GDP)	-2.7	-0.4	0.3	0.2	-0.2	-0.6	-1.3

Source: BI, BPS, MoF, World Bank staff estimates.

## Private Consumption and Investment Projected to Pick Up

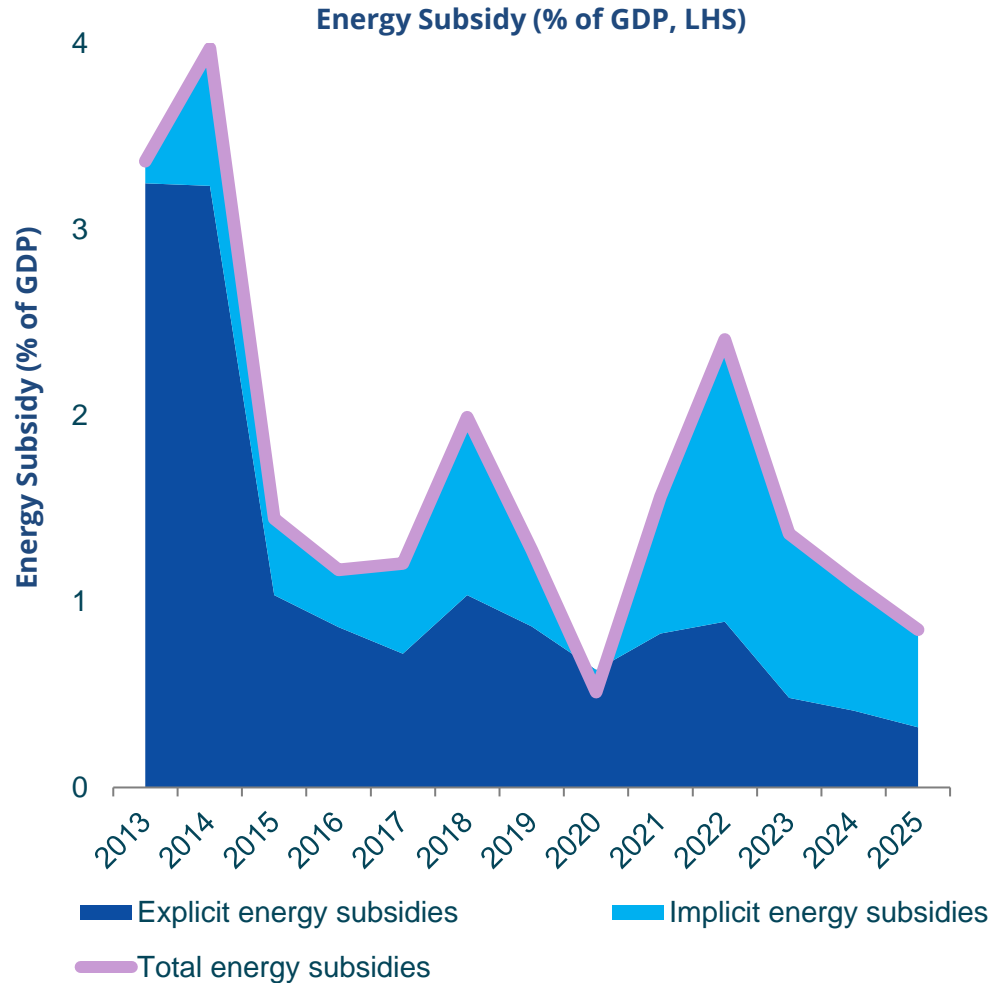


Source: BPS, World Bank staff estimates.



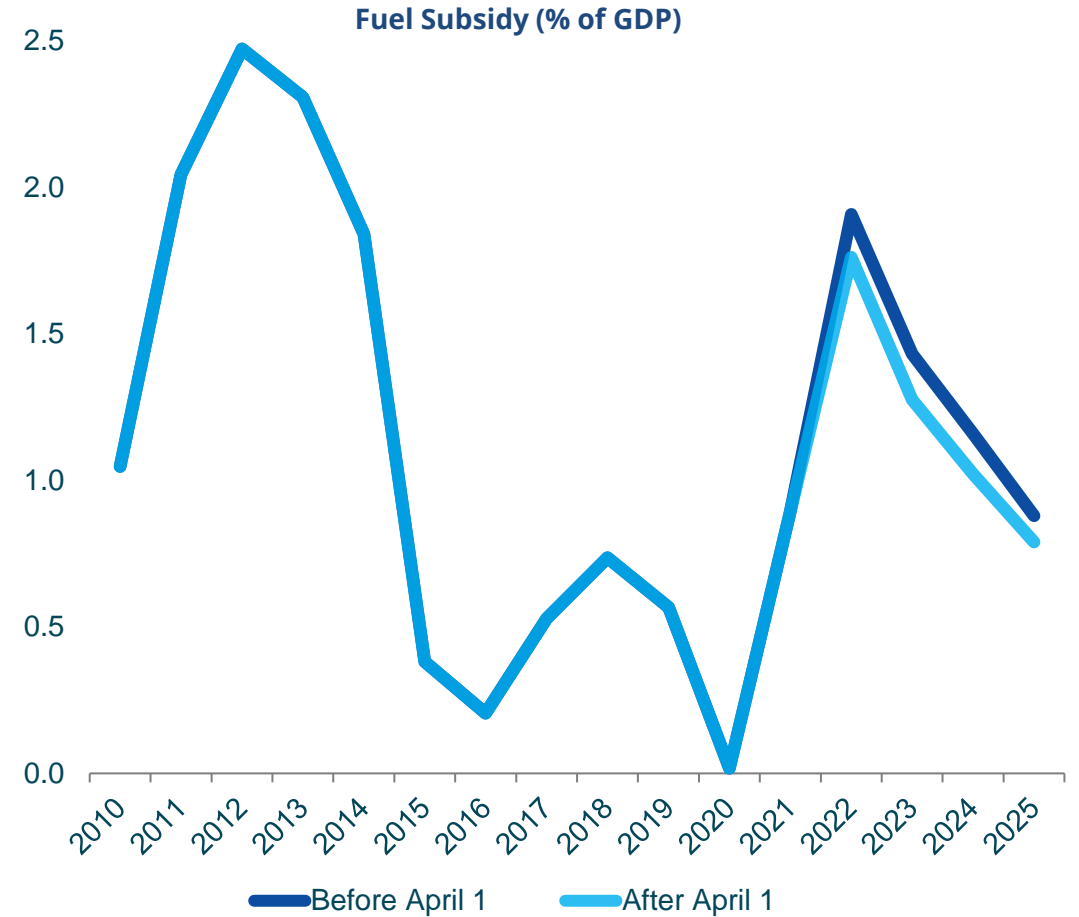
### **3. Short-Term Relief From Energy Subsidies But Case For Reform Is Strong**

## Energy Subsidies Have Declined But Remain Tied to Commodity Prices



Source: MoF, Pertamina, World Bank staff calculations.

## April Fuel Price Changes Will Only Have Small Impact on Fuel Subsidies



Source: MoF, Pertamina, World Bank staff calculations.

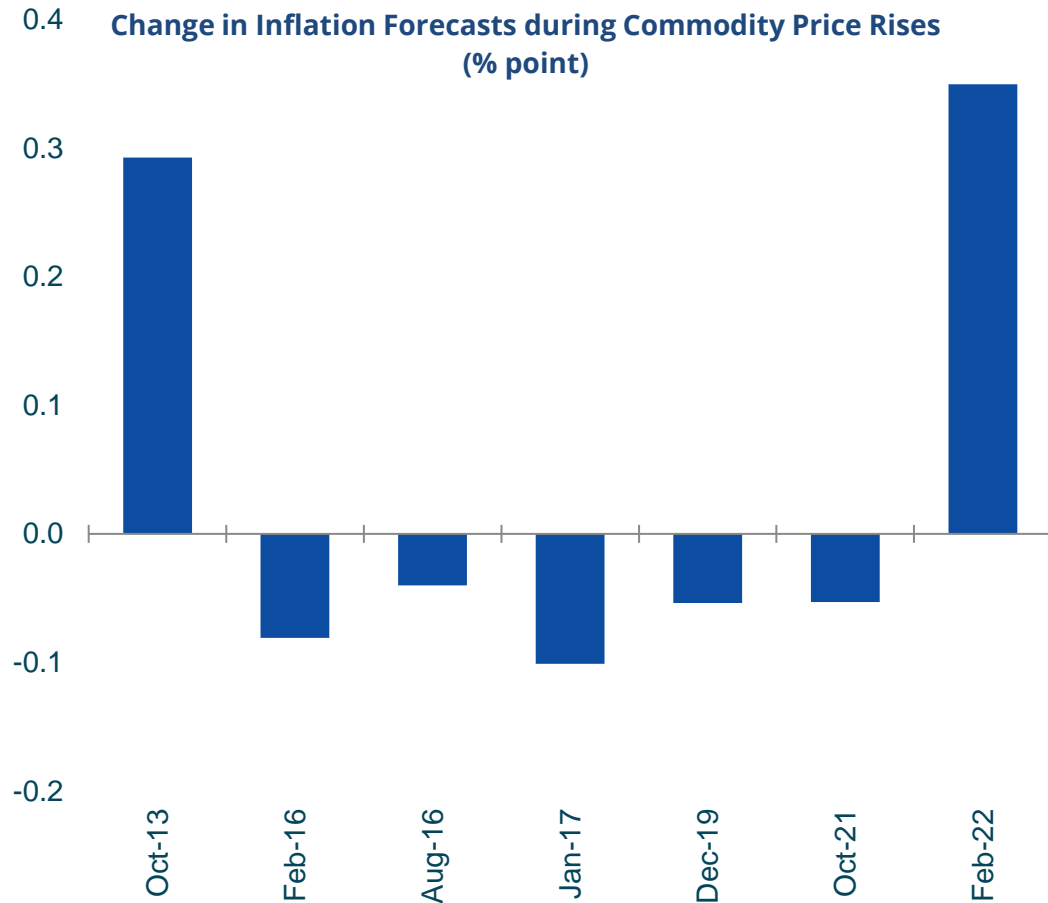




## **4. Fiscal Shock Absorber Gives Space For Gradual Monetary Normalization**

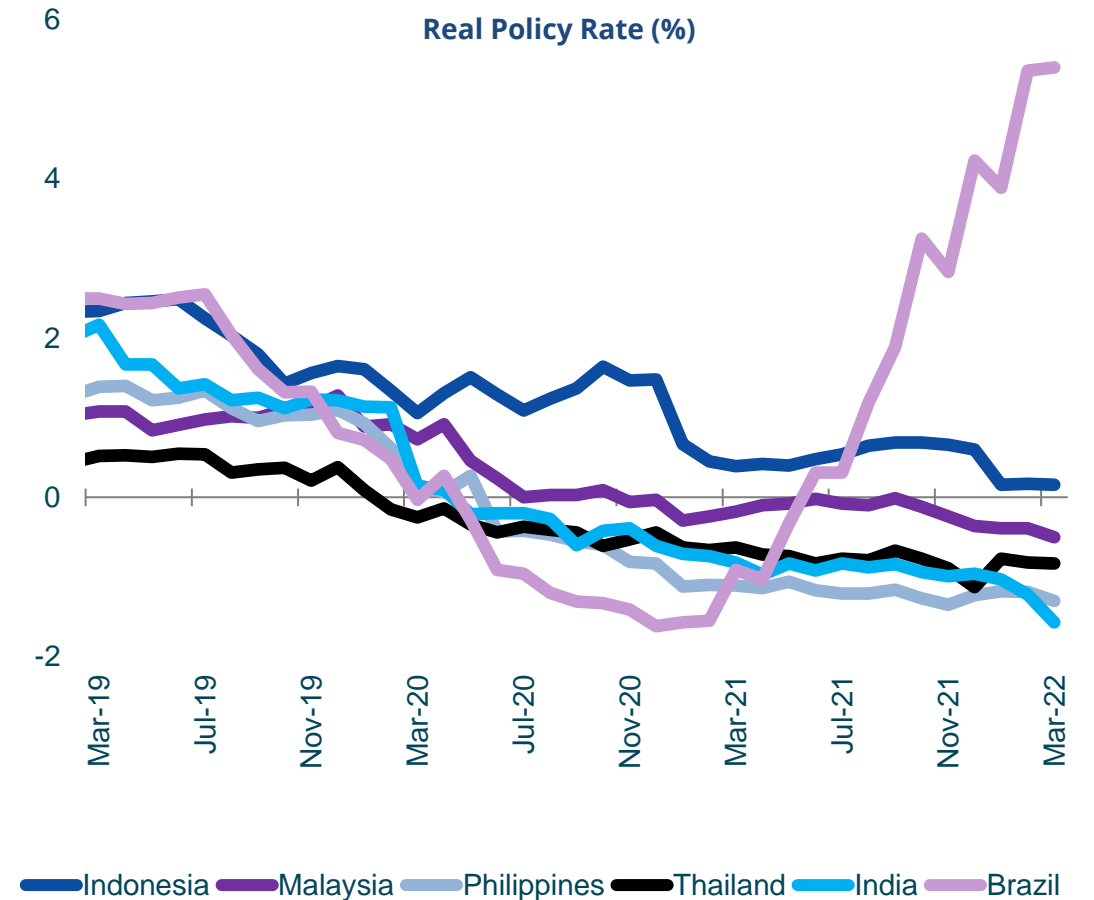


## Consumer Price Forecasts are Rising Rapidly



Source: Commodity Futures Trading Regulatory Agency, U.S Energy Information Administration, Consensus Economics Inc., WB Staff estimates.

## Whilst the Real Interest Rate is Starting to Fall to Zero



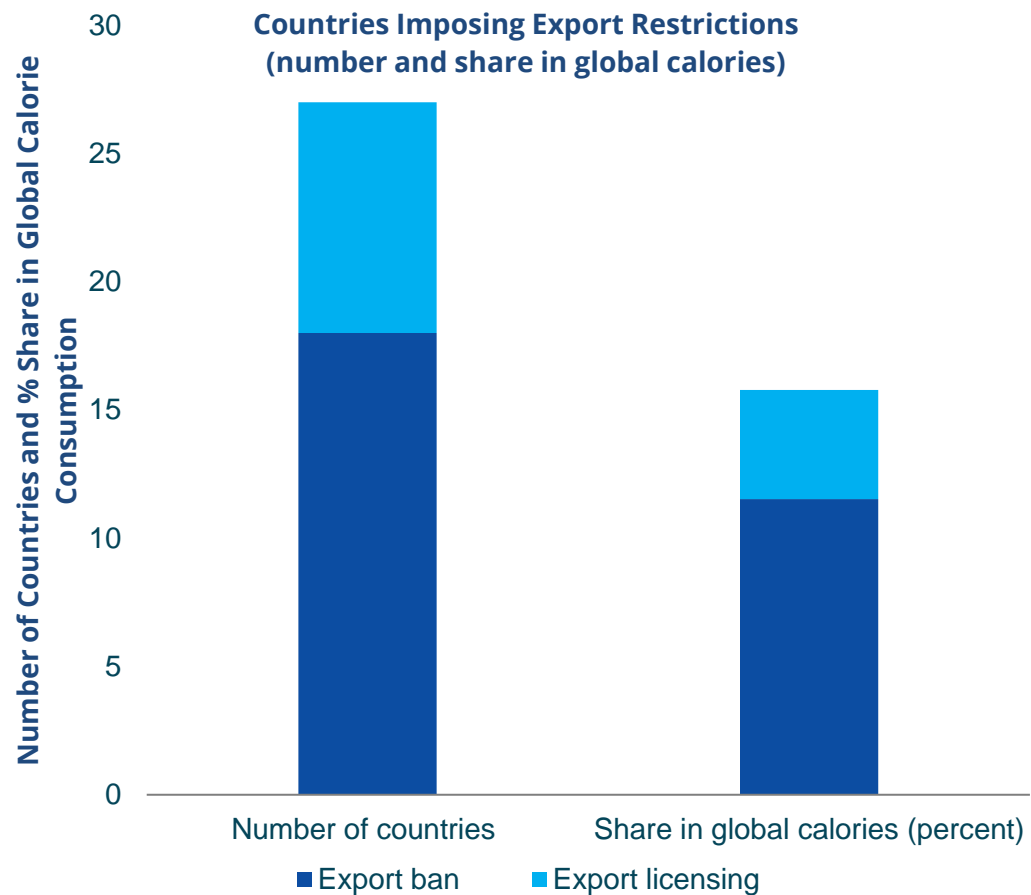
Source: CEIC, Consensus Economics Inc, WB Staff estimates.



## **5. Trade Restrictions Are Not a Solution To Rising Commodity Prices**

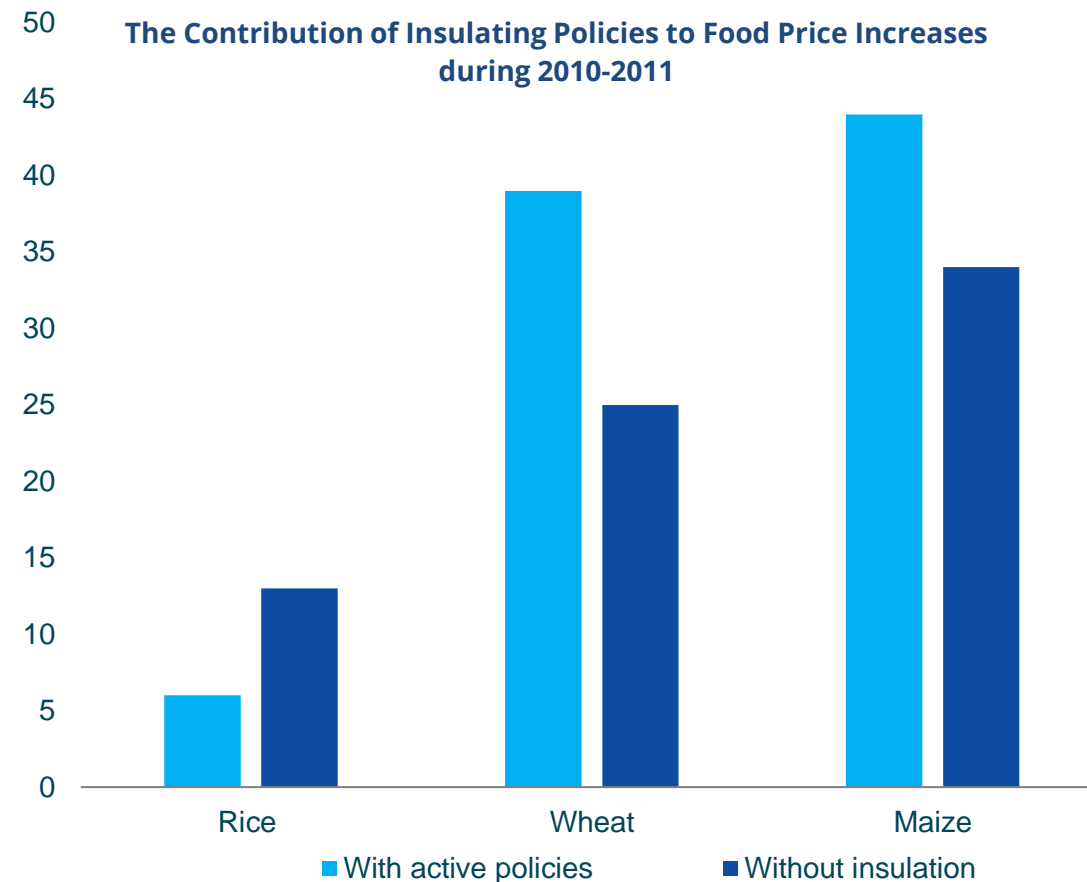


## Number of Countries Imposing Export Restrictions on Food and Fertilizers on the Rise



Source: International Food Policy Research Institute, Food & Fertilizer Export Restrictions Tracker, Laborde, Lakatos, Martin, 2019.

## Previous Export Restrictions Exacerbated Global Food Price Pressures



Source: International Food Policy Research Institute, Food & Fertilizer Export Restrictions Tracker, Laborde, Lakatos, Martin, 2019.



## 6. Shift Growth Drivers from Macroeconomic to Structural Policies



- 
1. Strengthen **enabling environment for firm recovery** particularly MSMEs through access to credit, formalization, support for green and digital transformation.
  2. Implement **trade policies** that boost competitiveness, growth and job creation, which could include the development of downstream industries.
  3. Deepen the **financial system** by enhancing the supply and demand for resources, improving resource allocation, and ensuring stability.
  4. Above **Structural reforms together with tax reforms** will enhance revenue collection for higher quality spending including through subsidy reform.



# Thank You

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