

Boosting the Recovery

Indonesia Economic Prospects, June 2021

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INDONESIA ECONOMIC PROSPECTS







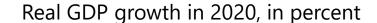
Impact

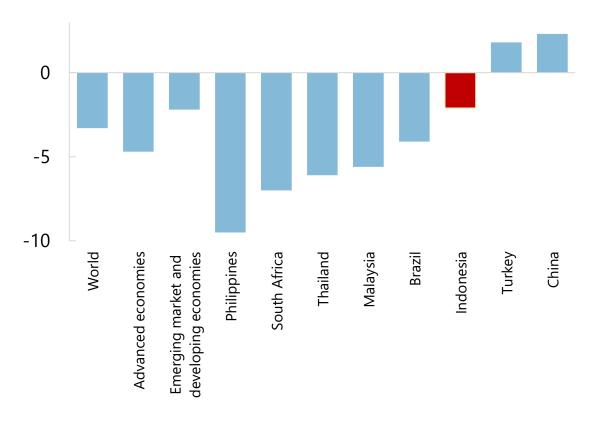
Policy response

Economic outlook

Policy priorities

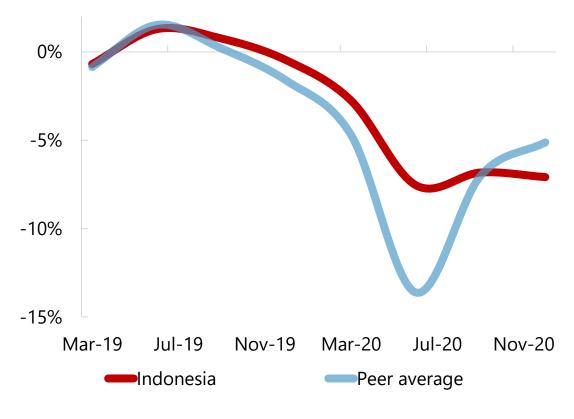
Economy getting back on its feet after several COVID punches





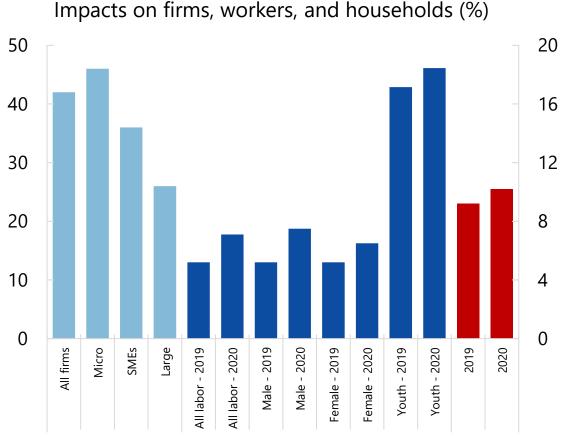
Source: World Economic Outlook, IMF.

Real GDP relative to pre-crisis trend, in percent

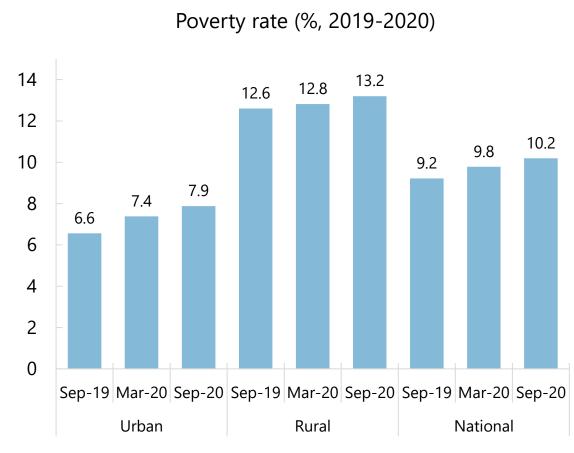


Source: CEIC, Oxford COVID-19 Government Response Tracker, World Bank staff calculations.

The poorest and most vulnerable have been the hardest hit



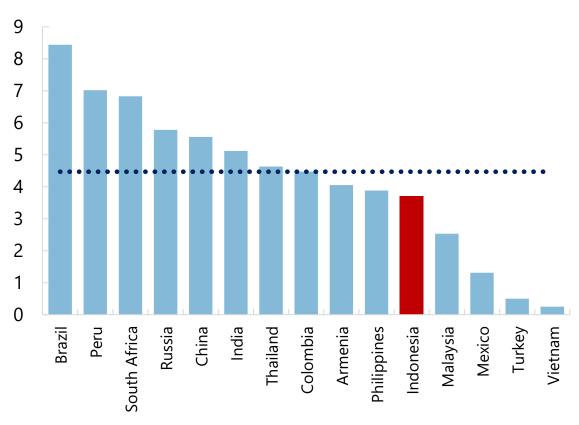
Source: Business Pulse Survey, Round 2 October 2020; SAKERNAS August 2020, BPS, World Bank staff calculations.



Source: BPS, World Bank staff calculations.

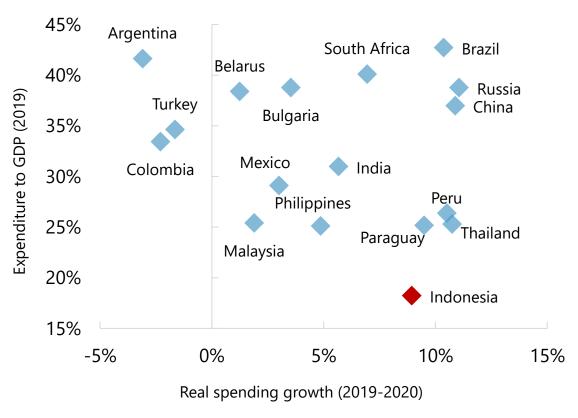
Fiscal support cushions the economy from a larger bruise

Increase in primary deficit 2019-2020 (% points of GDP)



Source: WB Macro Poverty Outlook April 2021.

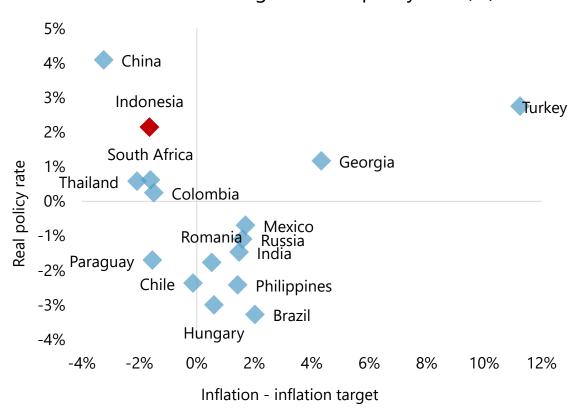
Spending level vs. spending growth 2019-2020



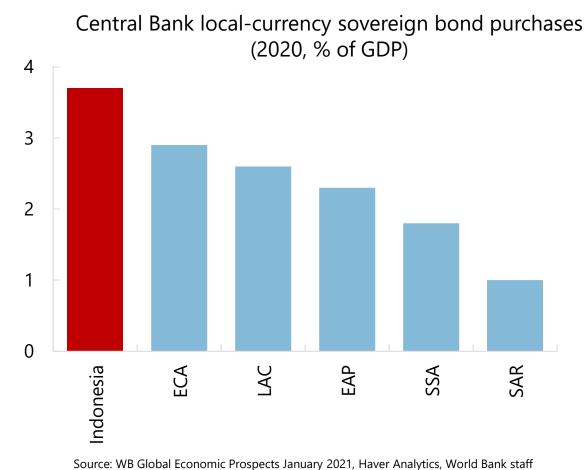
Source: Haver Analytics, IMF WEO, World Bank staff calculations.

Assisted by a dose of monetary policy

Inflation-inflation target vs. real policy rate (%)



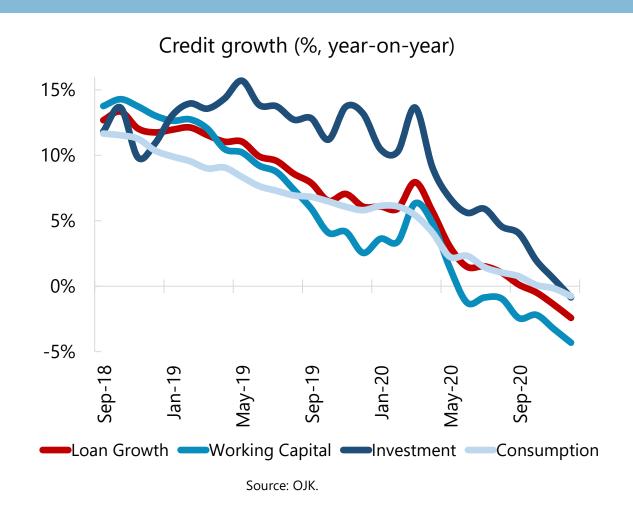
Source: Haver Analytics, World Bank staff calculations.



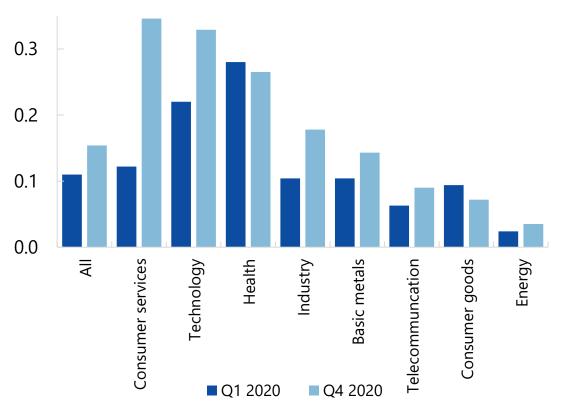
Economic outlook Policy priorities

calculations.

Private credit has fallen with moderate increase in corporate health concerns



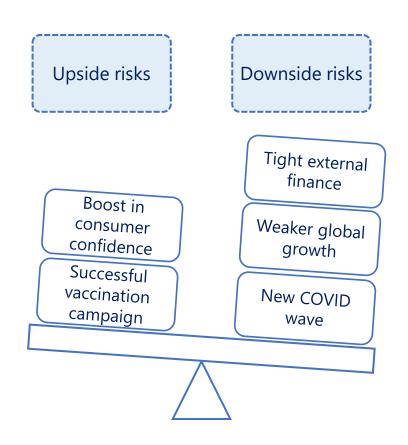




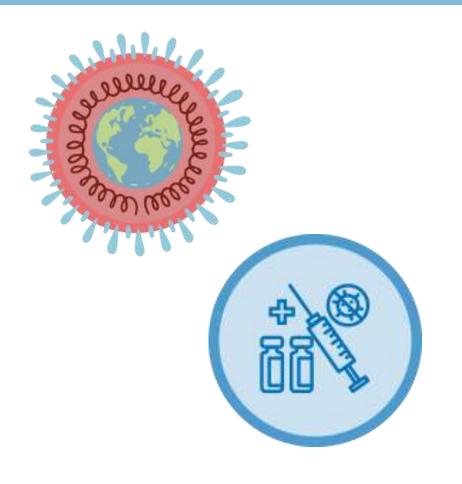
Source: Bloomberg, WB staff calculations.

The fight against COVID enters another round

	2019	2020	2021	2022	2023	2024
	Actual		Projection			
Real GDP	5	-2.1	4.4	5	5.1	5.1
CPI (year-average)	2.8	2	2.3	2.8	3.2	3.4
Fiscal Balance	-2.2	-6.2	-5.4	-4.1	-3	-3
Central Government Debt	30.2	39.4	41.2	42.6	43	43.5
Current account balance	-2.7	-0.4	-1.5	-1.8	-2	-2.3

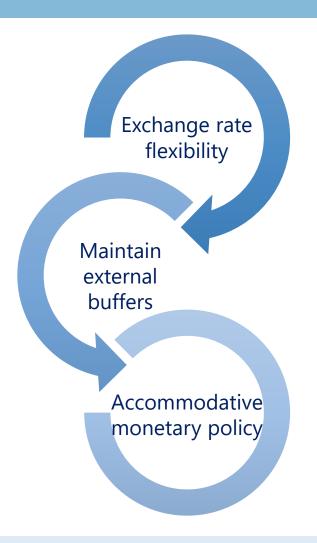


Winning the race against infections



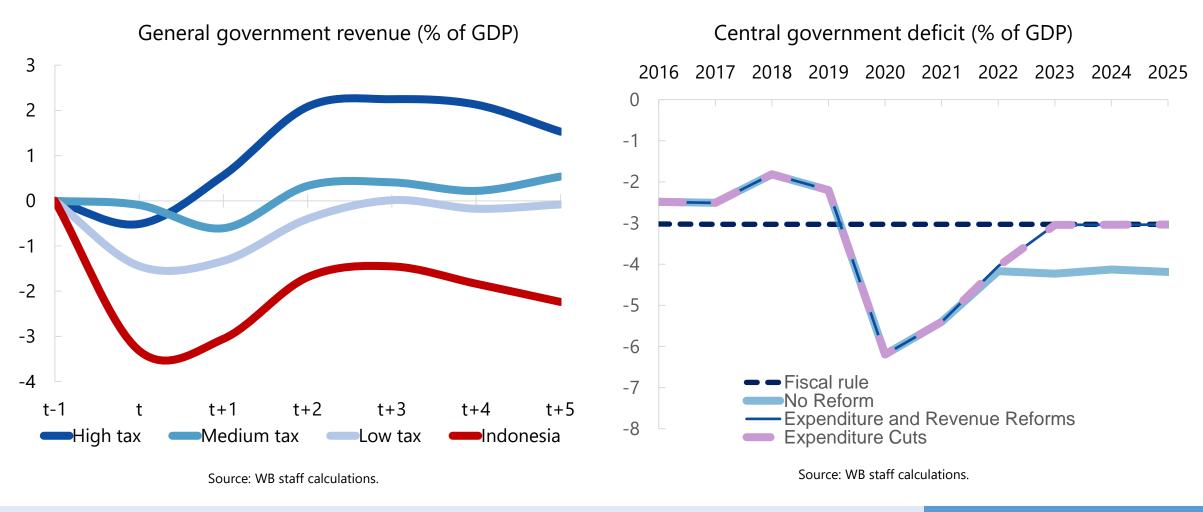
- Recent acceleration in daily cases is cause for health, social and economic concerns
- Authorities have established sound vaccination strategy. Supply constraints are starting to ease. Prioritize geographic locations where transmission rates are the highest
- Successfully containing the pandemic will also rest on adequate testing-tracing-isolation, along with non-pharmaceutical interventions

Maintaining accommodative monetary policy



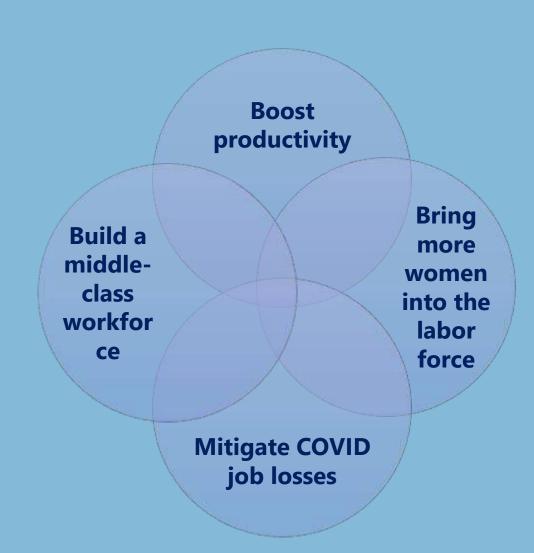
- Domestic economic conditions: output gap, inflation
- External vulnerabilities: US monetary policy, external financing pressures
- Coordination with fiscal policy: recovery in domestic demand, financing needs

Balancing fiscal support with fiscal sustainability



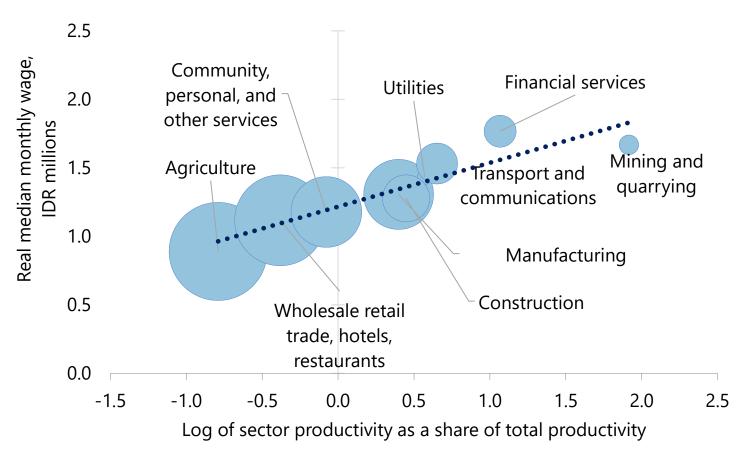


FOUR PATHWAYS TO BOOST JOBS AND WOMEN ECONOMIC PARTICIPATION



Boost productive jobs through competition, trade, and investment

Relationship between productivity and wages, 2018



- 15 percent of labor income earners hold middle-class jobs
- 7 percent of workers earn middle-class wages, receive full social benefits and hold a permanent contract

Source: World Bank staff calculations.

Build a middle-class workforce



• 57 percent of the labor force has less than 8 years of school

 A child born today is expected to complete 12.4 years of schooling but only 7.9 years of effective learning

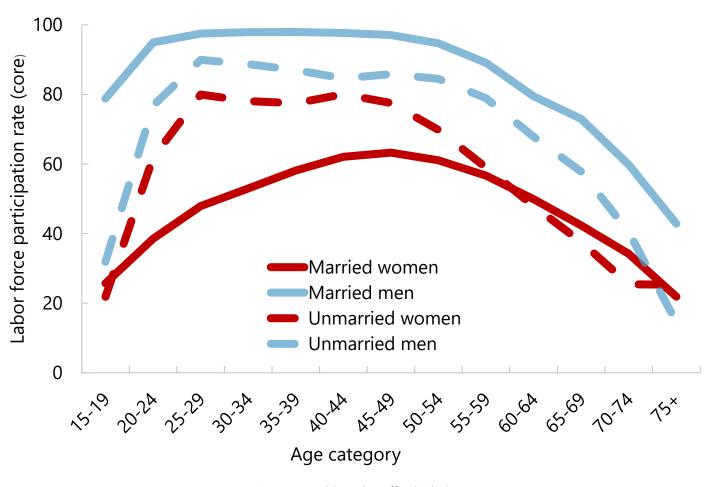




 A child born today would only reach 54 percent of its productive potential

Bring more women into the labor force

Labor force participation by gender and marital status, in percent



Source: World Bank staff calculations.

Mitigate COVID job losses

Impact of COVID on employment by gender and age group

