

A Green Horizon: Toward A High Growth and Low Carbon Economy

Indonesia Economic Prospects December 2021

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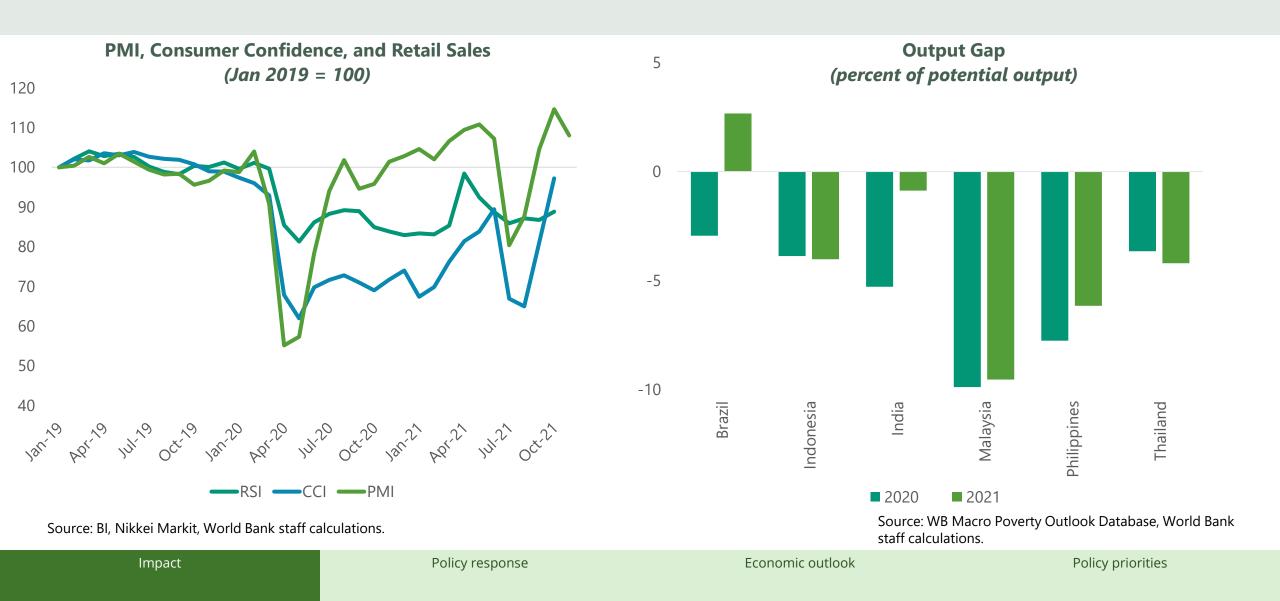




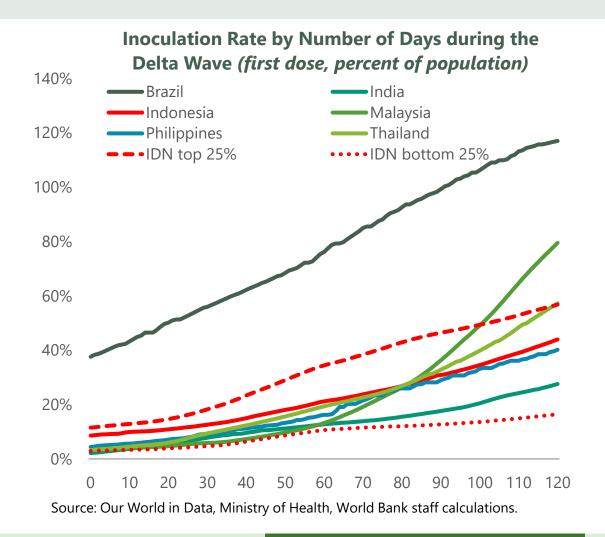


Delta Wave Slows Growth, but External Conditions and Policy Responses Help to Cushion the Shock

Economic Resilience from Shifting Drivers of Growth



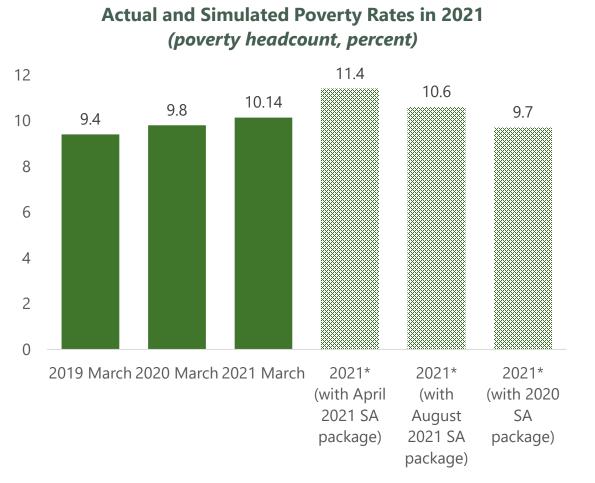
Vaccine Rollout Has Accelerated and is Working



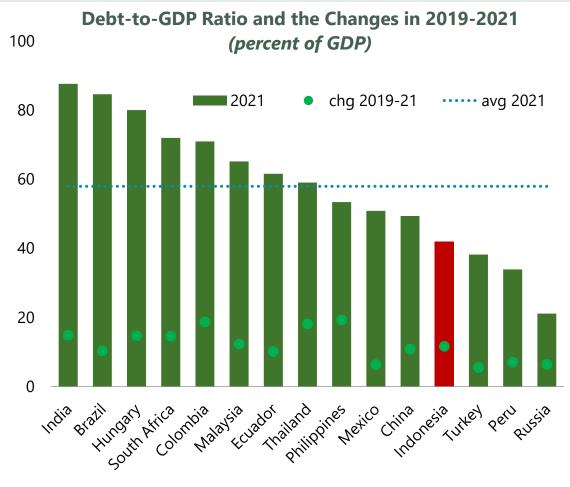
Change in Cases and Deaths by Tertile of Province Vaccination Rate (percent) 80 ■ Cases ■ Deaths 60 40 20 0 -20 -40 -60 -80 -100 Middle tertile Bottom tertile Top tertile Source: Ministry of Health, World Bank staff calculations.

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Flexible Fiscal Response Helped Contain Health and Poverty Impacts



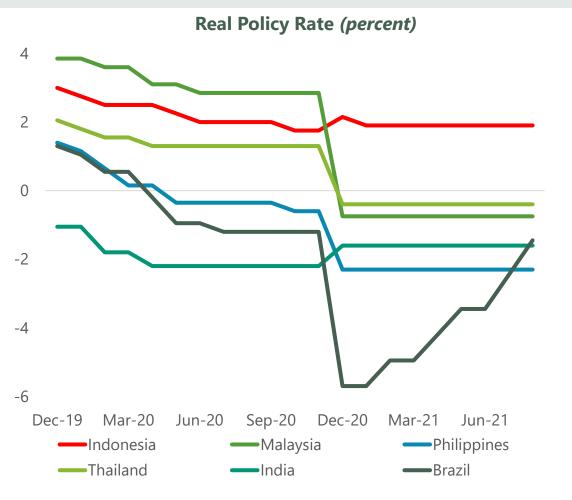
Source: SUSENAS, World Bank staff simulations.



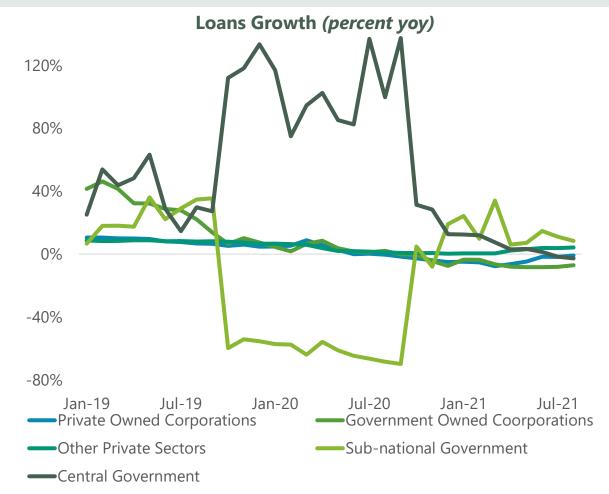
Source: World Bank Macro Poverty Outlook Database, World Bank staff calculations.

Impact

Monetary Policy Remained Supportive but Credit Lags Growth



Source: CEIC, IMF WEO October 2021, World Bank staff calculations.



Source: BI, World Bank staff calculations.

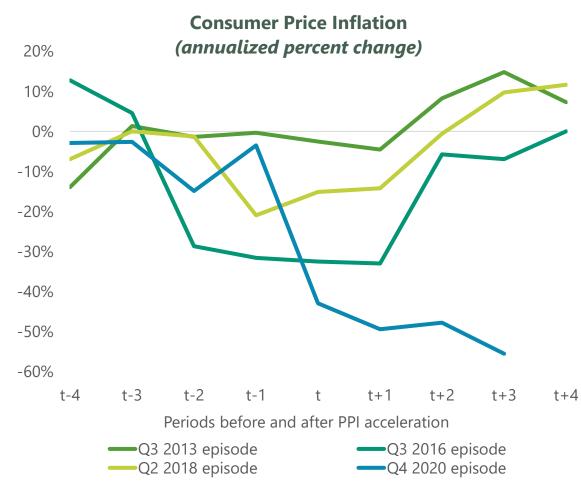
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Positive Outlook but with Great Uncertainty and Some Risks of Scarring

Rebalancing Sources of Growth

(percent, *percent of GDP)						
	2019	2020	2021	2022	2023	2024
	Actual		Projection			
Real GDP	5	-2.1	3.7	5.2	5.1	5.1
CPI (year-average)	2.8	2	1.6	2.2	2.5	3.4
Fiscal Balance*	-2.2	-6.1	-5.0	-3.9	-3.0	-3.0
Central Government Debt*	30.2	39.4	41.8	43.7	44.3	44.4
Current Account Balance*	-2.7	-0.4	0.2	-1.2	-1.6	-1.9

The Economy Outlook

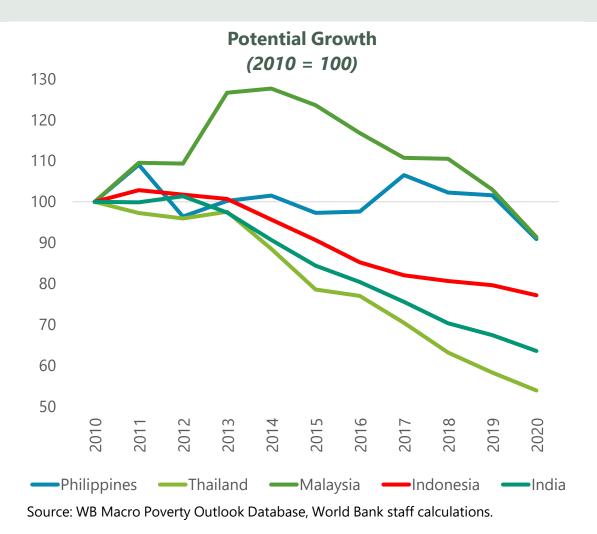


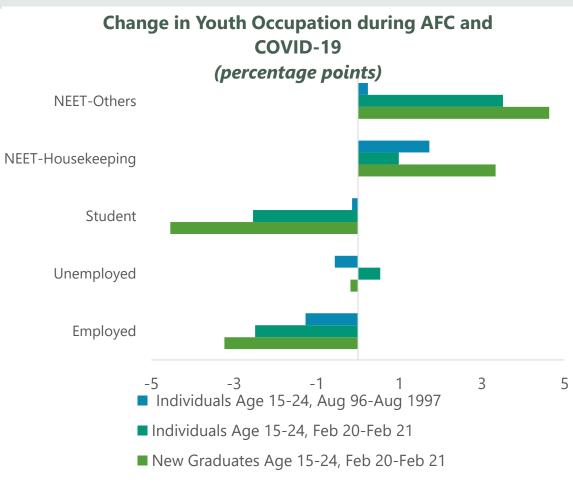
Source: CEIC, World Bank staff calculations.

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

Economic outlook

Preventing a Temporary Shock Turning Into a Permanent Drop in Output





Source: SAKERNAS, World Bank staff simulations. Note: NEET is not in employment, education or training

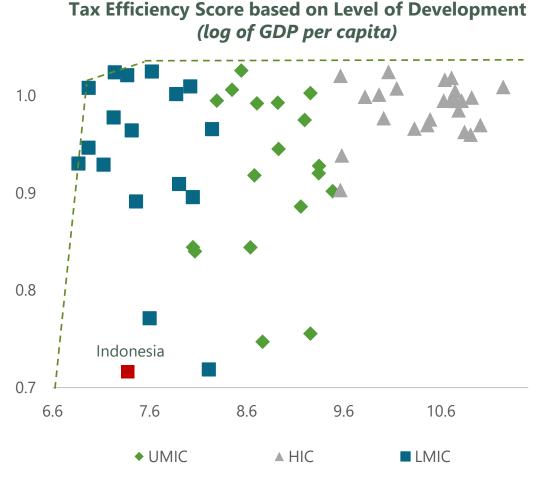
Impact	Policy response	Economic outlook	Policy priorities



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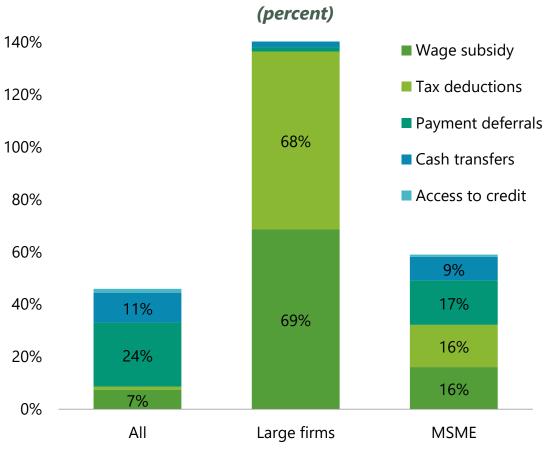
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Collect More and Focus Fiscal Effort on Health and Poor Households





Policy response



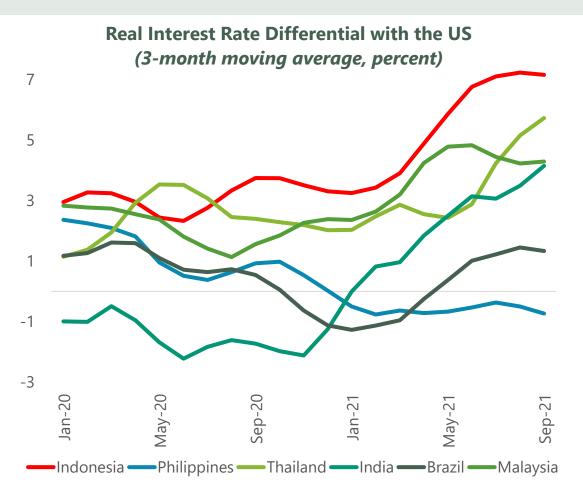
Share of Firms that Receive Support

Source: WB Business Pulse Survey, World Bank staff calculations.

Economic outlook

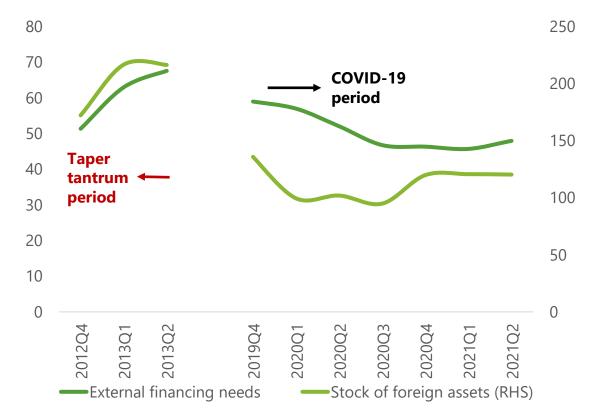
Policy priorities

Enabling the Financial System to Support Growth



Source: CEIC, IMF WEO October 2021, WB staff calculations

External Financing Needs and Stock of Assets by Non-Residents (percent share to FX Reserves)



Source: CEIC, IMF WEO October 2021, WB QEDS, WB IDS, World Bank staff calculations.

Economic outlook

Impact

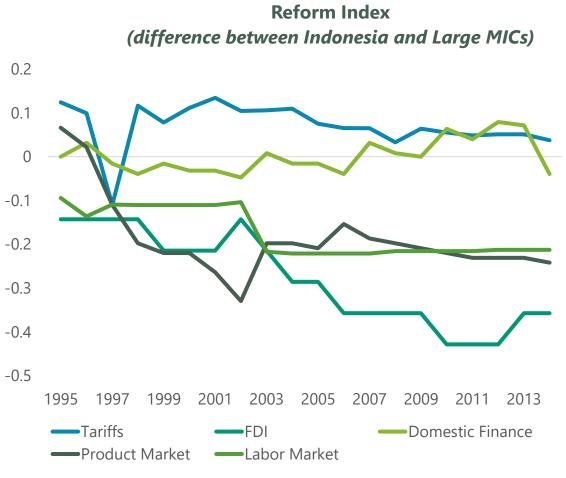
Structural Reforms Can Accelerate Growth and Allow Macroeconomic Support to Adjust

Competitiveness Z-Score (efficiency-based competitiveness indicators)

Labour

market

■ Indonesia ■ MIC



Source: IMF Structural Reform Database developed by Papageorgiou et al. (2019).

Source: Global Competitiveness Indicators, 2019.

Product

market

0

-0.2

-0.4

-0.6

-0.8

-1

Skills

Policy response

Financial

system

Market size

Economic outlook

Thank You

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