INTERNATIONAL MONETARY FUND

IMF Country Report No. 26/10

INDONESIA

January 2026

2025 ARTICLE IV CONSULTATION—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR INDONESIA

Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. In the context of the 2025 Article IV consultation with Indonesia, the following documents have been released and are included in this package:

- A **Press Release** summarizing the views of the Executive Board as expressed during its January 14, 2026 consideration of the staff report that concluded the Article IV consultation with Indonesia.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on January 14, 2026, following discussions that ended on November 12, 2025, with the officials of Indonesia on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on December 16, 2025.
- An **Informational Annex** prepared by the IMF staff.
- A **Statement by the Executive Director** for Indonesia.

The documents listed below have been or will be separately released.

Selected Issues

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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International Monetary Fund
Washington, D.C.

IMF Executive Board Concludes 2025 Article IV Consultation with Indonesia

FOR IMMEDIATE RELEASE

- *Indonesia remains a global bright spot, with strong economic growth amid a challenging external environment, and with inflation expected to remain comfortably in the target range.*
- *A well-calibrated policy mix can support the economy; protecting Indonesia's hard-earned credibility and policy space remains crucial in a world of heightened external uncertainties.*
- *Bold structural reforms, including building on Indonesia's significant efforts to foster trade agreements, would boost the business climate, private sector-led growth and productivity, enabling a jobs-rich and sustainable path to realizing Indonesia's high-income potential.*

Washington, DC – January 21, 2026: On January 14, 2026, the Executive Board of the International Monetary Fund (IMF) completed the Article IV Consultation for Indonesia.[1] The authorities have consented to the publication of the Staff Report prepared for this consultation.

The Indonesian economy has shown resilience amid adverse shocks. Growth is expected to remain steady at 5.0 percent in 2025 and 5.1 percent in 2026, despite a challenging external environment, reflecting support from fiscal and monetary policies. Headline inflation is well anchored and projected to converge towards the midpoint of the target range. The current account deficit would remain well contained in 2025-26, with comfortable reserves.

Risks are tilted to the downside. Escalating trade tensions, prolonged uncertainty, and global financial market volatility remain key external risks. On the domestic side, large policy shifts, if not implemented with sufficiently robust guardrails, could build up vulnerabilities. Upside risks include bolder structural reforms, including faster-than-anticipated push on the trade front, and positive spillovers from stronger growth among trading partners.

[1] Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

Executive Board Assessment[2]

Executive Directors welcomed Indonesia's economic resilience and track record of prudent policies despite external challenges. Noting downside risks from global uncertainty, Directors emphasized the importance of preserving longstanding policy credibility, protecting policy space, and accelerating structural reforms to ensure strong, sustainable and inclusive growth.

Directors welcomed the authorities' commitment to prudent fiscal policies, anchored by credible fiscal rules. They agreed that careful public spending execution and enhanced revenue mobilization would be important given the need to preserve buffers and achieve social and developmental objectives. Directors also encouraged the authorities to limit below-the-line and quasi-fiscal activities to clarify the overall fiscal footprint and strengthen the effectiveness of the fiscal rules. While noting Danantara's potential to support Indonesia's development goals, Directors called for robust governance and accountability frameworks to prevent the buildup of contingent liabilities and quasi-fiscal activities and contain risks.

Directors commended the successful anchoring of inflation to the target range and noted that the monetary policy easing through 2025 was warranted to support growth. Moving forward, they agreed that the policy stance should remain data dependent and well-calibrated with fiscal policy. Directors considered that the exchange rate should continue to function as a shock absorber, with forex market interventions deployed under certain limited shocks and circumstances, while preserving reserve buffers. Directors supported ongoing efforts to deepen financial markets and strengthen the effectiveness of monetary policy transmission. They noted that, over the medium term, gradually lowering Bank Indonesia's presence in the government debt market could help enhance private sector participation and market liquidity and depth.

Directors welcomed the continuing resilience of the financial sector, and the authorities' efforts to enhance regulatory and supervisory frameworks, and financial sector development. They agreed with the accommodative macroprudential stance amid a negative credit gap, and supported a gradual shift towards a neutral stance as credit growth recovers.

Directors welcomed the authorities' ambitious reform agenda to accelerate growth and reach high-income status by 2045, noting that achieving this in an inclusive manner will require durable and dynamic private sector-led growth. They underscored that implementing ambitious structural reforms, including on deregulation, education and digital infrastructure, and fostering trade openness will be essential to this end. In

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[2] At the conclusion of the discussion, the Managing Director, as Chair of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here: http://www.IMF.org/external/np/sec/misc/qualifiers.htm.

particular, transitioning away from non-tariff trade measures would be critical to further enhance global economic integration. They broadly noted that industrial policies should target market failures, while minimizing trade and investment distortions. Continuing to progress on the climate agenda would also be important.

Table 1. Indonesia: Selected Economic Indicators, 2023–28

Nominal GDP (2024): Rp 22,139 trillion or US$1,396 billion
Population (2025): 284 million
Main exports (percent of total, 2024): base metal (18), coal (14), palm oil (8), oil and gas (8), textile and products (4)
GDP per capita (2024): US$4,909
Unemployment rate (2025): 4.9 percent
Poverty headcount ratio at national poverty line (2024): 9.0 percent of population

	2023	2024	2025 Proj.	2026 Proj.	2027 Proj.	2028 Proj.
Real GDP (percent change)	**5.0**	**5.0**	**5.0**	**5.1**	**5.1**	**5.2**
Domestic demand	4.9	6.0	5.0	5.3	5.2	5.2
Of which:						
Private consumption 1/	4.9	5.1	5.1	5.1	5.1	5.1
Government consumption	3.0	6.6	9.0	7.5	5.4	5.0
Gross fixed investment	3.8	4.6	4.6	5.3	5.5	5.6
Change in stocks 2/	0.5	1.0	-0.1	0.0	0.0	0.0
Net exports 2/	0.7	0.0	0.3	0.1	0.2	0.3
Statistical discrepancy 2/	-0.2	-0.6	0.0	0.0	0.0	0.0
Output gap (in percent)	**-0.4**	**-0.3**	**-0.1**	**-0.1**	**0.0**	**0.1**
Saving and investment (in percent of GDP)						
Gross investment 3/	30.3	31.4	31.1	31.0	31.0	31.1
Gross national saving	30.2	30.8	30.6	30.0	30.2	30.3
Prices (12-month percent change)						
Consumer prices (end period)	2.8	1.6	2.8	2.6	2.5	2.5
Consumer prices (period average)	3.7	2.3	1.9	3.0	2.5	2.5
Public finances (in percent of GDP)						
General government revenue	15.0	14.5	13.7	13.7	13.8	13.9
General government expenditure	16.6	16.8	16.5	16.5	16.6	16.7
Of which: Energy subsidies	0.8	0.8	0.8	0.8	0.7	0.7
General government balance	-1.6	-2.3	-2.8	-2.9	-2.8	-2.8
Primary balance	0.5	-0.1	-0.5	-0.6	-0.6	-0.6
General government debt 4/	39.6	40.2	41.0	41.3	41.6	41.7
Money and credit (12-month percent change; end of period)						
Rupiah M2	3.5	4.8	8.3	8.6	8.0	8.1
Base money 5/	-1.5	5.3	7.4	7.6	7.2	7.1
Claims on private sector	9.2	7.7	8.1	9.5	9.3	9.3
One-month interbank rate (period average)	6.4	6.7	…	…	…	…
Balance of payments (in billions of U.S. dollars, unless otherwise indicated)						
Current account balance	-2.0	-8.7	-6.8	-15.4	-14.6	-14.8
In percent of GDP	-0.1	-0.6	-0.5	-1.0	-0.9	-0.8
Trade balance	46.3	39.8	44.7	38.2	42.6	44.9
Of which: Oil and gas (net)	-19.9	-19.6	-18.1	-17.2	-18.0	-19.7
Inward direct investment	21.5	24.8	18.5	22.6	27.0	31.8
Overall balance	6.3	7.2	-5.3	7.4	10.7	20.0
Terms of trade, percent change (excluding oil)	-12.7	1.0	-0.3	1.4	0.4	-0.1
Gross reserves						
In billions of U.S. dollars (end period)	146.4	155.7	150.4	157.9	168.6	188.6
In months of prospective imports of goods and services	6.3	6.4	5.7	5.5	5.5	5.7
As a percent of short-term debt 6/	209	188	197	193	196	202
Total external debt 7/						
In billions of U.S. dollars	408.5	426.1	429.3	455.4	478.4	511.1
In percent of GDP	29.8	30.5	29.9	29.7	29.0	28.7
Exchange rate						
Rupiah per U.S. dollar (period average)	15,237	15,855	…	…	…	…
Rupiah per U.S. dollar (end of period)	15,399	16,132	…	…	…	…
Memorandum items:						
Jakarta Stock Exchange (12-month percentage change, composite index)	6.2	-2.7	…	…	…	…
Oil production (thousands of barrels per day)	797	794	791	788	785	782
Nominal GDP (in trillions of rupiah)	20,892	22,139	23,696	25,647	27,625	29,780

Sources: Data provided by the Indonesian authorities; Bloomberg L.P.; and IMF staff estimates and projections.
1/ Includes NPISH consumption.
2/ Contribution to GDP growth (percentage points).
3/ Includes changes in stocks.
4/ General government debt (also in Tables 4, 6, 7) is sourced from BI SUSPI.
5/ Includes commercial banks' foreign currency demand deposits at BI.
6/ Short-term debt on a remaining maturity basis.
7/ Public and private external debt.

INTERNATIONAL MONETARY FUND

INDONESIA

STAFF REPORT FOR THE 2025 ARTICLE IV CONSULTATION

December 16, 2025

KEY ISSUES

Outlook and Risks. Economic growth remains strong despite adverse shocks. Inflation is well within its target band, and the financial sector broadly resilient. Downside risks stem from trade policy shocks, prolonged uncertainty, and global financial market volatility. Ensuring durable and high-quality growth will require a carefully calibrated policy mix, relying on strong guardrails and buffers to prevent the buildup of vulnerabilities, and deploying bold and sound structural reforms.

Main Policy Recommendations

- ***Fiscal Policy***. Further strengthening near-term fiscal prudence would help maintain policy space. Adhering to long-standing fiscal rules and guardrails is essential to safeguard policy space and credibility. Carefully managing fiscal risks, including by limiting quasi-fiscal activity will be key. Reforms to mobilize revenue and enhance the targeting of spending would make fiscal policy more effective and growth friendly.

- ***Monetary and FX Policy***. The extent and pace of any additional rate cuts should remain data dependent, accounting for the lagged transmission of actions already undertaken by BI and ongoing fiscal impulse. Gradually lowering BI's presence in the government debt market should support private sector participation and market depth. The exchange rate should continue to act as a shock absorber, with FXI prudently used only under certain shocks and circumstances.

- ***Financial Sector Policy***. Accommodative MPPs are appropriate amid a negative credit gap and strong financial sector balance sheets. As credit growth recovers, shifting to a neutral stance would support financial system resilience. Clarifying that the MPP framework prioritizes financial stability would aid communication and policy effectiveness. Carefully targeting and ringfencing credit growth initiatives, while strengthening the regulatory and supervisory framework will limit risk buildup.

- ***Structural issues***. Structural reforms and deregulation efforts, including deepening trade integration through new agreements and reducing barriers, would sustainably boost long-term growth. Fostering durable and dynamic private sector-led growth levers will be essential. Priorities are on governance and anti-corruption, education and skills, logistics, infrastructure, trade openness, and the investment climate.

Authorities' Views. The authorities largely agree with staff on the outlook and policy priorities. They expect stronger growth in 2025–26 and seek to achieve 8 percent of real GDP growth by 2029, through sound and supportive macroeconomic policies. They agree with the need to maintain strong guardrails and buffers to better fend off global shocks. Government-led initiatives to strengthen the economy's value added, and achieve food and energy self-sufficiency, alongside structural reforms to improve the investment climate and trade integration complement the growth strategy.

Approved By
Rupa Duttagupta (APD) and Anna Ilyina (SPR)

Discussions took place in Jakarta during October 30-November 12, 2025, and with market participants in Singapore on October 28-29, 2025. The mission comprised Ms. Maria Gonzalez (Head), Ms. Anne-Charlotte Paret, Messrs. Ashique Habib, Raju Huidrom, Akshat Singh, and Dennis Botman (Resident Representative) (all APD).
Mss. Choirunnisah and Tresnatri, and Messrs. Akbar, Pasha and Wibowo (all Resident Representative Office) and Jionglin Andy Zheng (APD) supported the mission work. Ms. Duttagupta (APD) and Messrs. Idwan Hakim, Executive Director, and Wishnu Mahraddika, Advisor (OED), joined some of the meetings. Ms. Isnawangsih, Ms. Niu and Ms. Tanseco (all APD) contributed to the preparation of this report.

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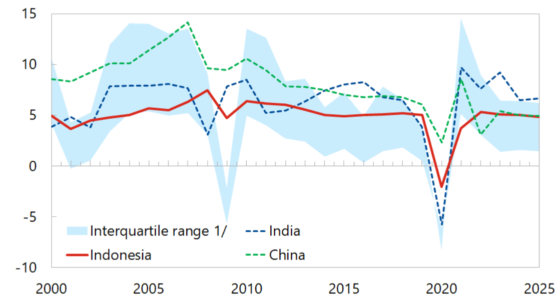
TABLES

ANNEXES

CONTEXT: PURSUING THE GOLDEN VISION IN A SHOCK-PRONE ENVIRONMENT

1. **Indonesia's economic performance has been strong for over twenty-five years**. The country's sustained growth stands out among peers, supported by decades of prudent macroeconomic policy implementation and improved living standards. However, productivity growth remains weak, with a shrinking middle class. Establishing a dynamic and diversified formal private sector that can generate high-quality jobs for the country's large and young population is a key priority.

G20 Emerging Markets: Real GDP Growth
(In percent)



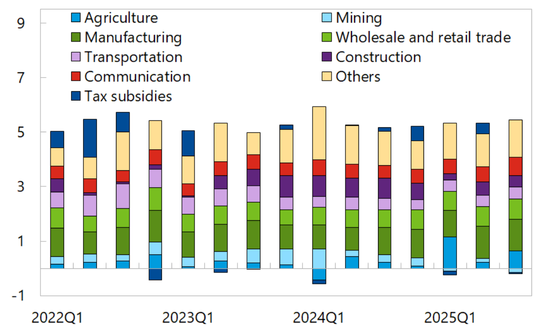
Sources: IMF, World Economic Outlook; and IMF staff estimates.
1/ For all G20 EMs including China, India, and Indonesia.

2. **Indonesia remains firm in its "Golden Vision" of becoming a high-income country by 2045**. To achieve this objective, the authorities have targeted higher real growth via a supportive macro policy mix and expanding government-led initiatives. These include Industrial Policy (IP) to lift the value added of Indonesia's commodities (downstreaming), gain self-sufficiency in food and energy, and boost human capital investment. Relatedly, there has been a proactive effort to engage with trading partners to reduce trade barriers and facilitate FDI.

RECENT DEVELOPMENTS: ECONOMIC SHOCKS AND HIGH UNCERTAINTY

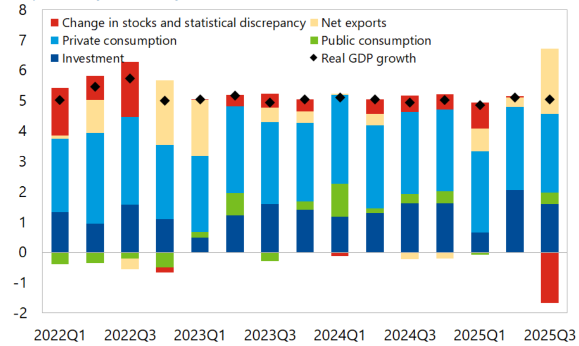
3. **The economy has shown resilience amidst adverse shocks, standing out globally as a bright spot**. Growth would remain at 5.0 percent in 2025, despite a challenging external environment—including lower demand by key trading partners and softer commodity prices—offset by enhanced fiscal and monetary policy support in 2025: Q4. Unemployment has declined to around pre-pandemic rates, though job losses have been accruing in labor-intensive manufacturing sectors (including due to competitiveness gaps and external trade shocks), and informality and underemployment still exceed pre-pandemic levels.

GDP Contribution to Growth by Industry
(In percent, year-on-year)



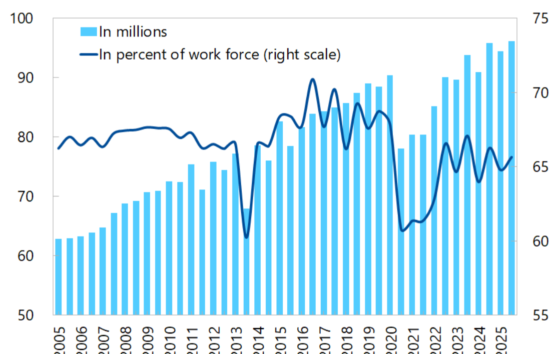
Sources: Haver Analytics; and IMF staff estimates.

Contribution to Real GDP Growth
(In percent, year-over-year)



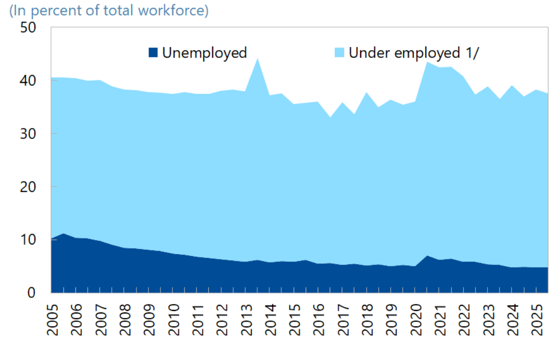
Sources: Haver Analytics.; and IMF staff estimates.

Employment of Full Time Workers



Sources: Badan Pusat Statistik; and IMF staff estimates.

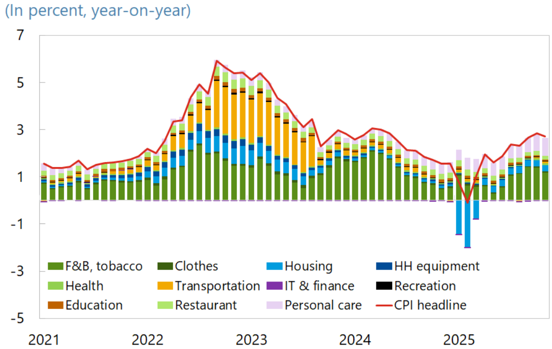
Under Employed and Unemployed Workers
(In percent of total workforce)



Sources: Badan Pusat Statistik; and IMF staff estimates.
1/ Work up to 34 hours last week.

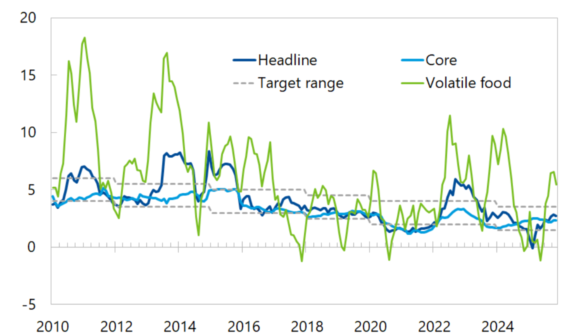
4. **Inflation is well within its target band**. Headline inflation dropped early in 2025, reflecting low food prices and a temporary electricity support program that reduced overall housing costs, and a small negative output gap. Core inflation has gradually risen from its earlier low levels—including as volatile food prices have picked up—to around the mid-point of the target (2.5 ±1 percent) range.

Contribution to Headline Inflation
(In percent, year-on-year)



Sources: Badan Pusat Statistik via Haver Analytics; IMF staff estimates.

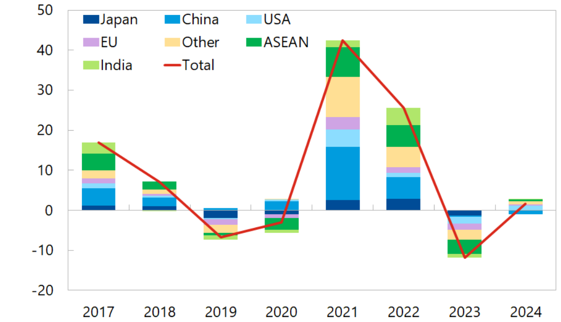
Consumer Price Inflation
(In percent, year-on-year)



Sources: Haver Analytics; and IMF staff estimates.

5. Indonesia's external position in 2025 is assessed on a preliminary basis to be broadly in line with the levels implied by fundamentals and desirable policies (Annex I).[1] Through 2024 and into 2025, the trade surplus has remained resilient amid external shocks, while the current account deficit is projected to be contained at – 0.5 percent of GDP by end-2025. Net equity outflows and exchange rate (ER) pressures amid heightened global and policy uncertainties surged in early 2025, with some further volatility in late 2025: Q2, amid calls for social support. Market pressures and ER volatility have been contained through policy action (e.g., foreign exchange intervention (FXI)) in onshore and offshore markets, and equity share buy-backs. Social demands have also been attended via a targeted fiscal package (the so-called "8+5+4" package, ¶12)), enhanced communication on domestic policy objectives, and other efforts to attend social interest (e.g., labor and gig worker legislation).

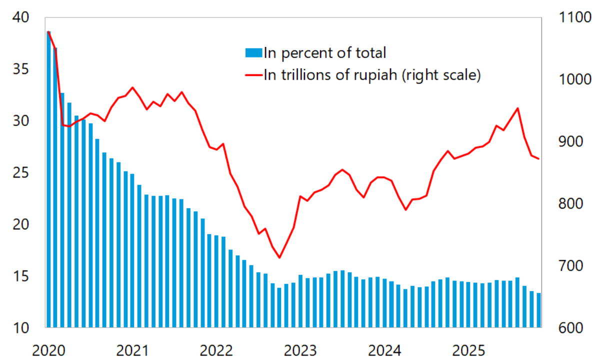
Contribution to Export Growth by Destination
(In percent of total nominal US$ value)



Sources: Bank Indonesia via Haver Analytics; and IMF staff calculations.

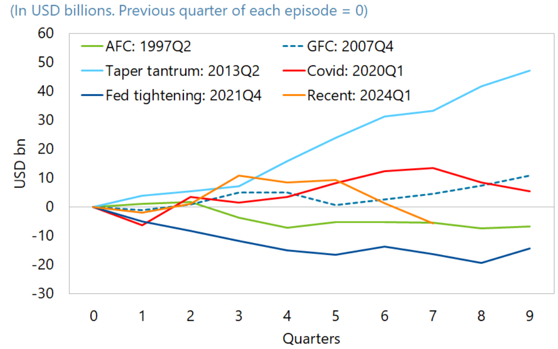
6. Gross international reserves, at US$150.1 billion (5.7 months of prospective imports) as of November 2025, remain adequate. Indonesia's *de facto* ER arrangement is classified as floating (Informational Annex). Since late-2023, BI has utilized its main local currency short-term instrument (SRBI), to manage the short-end of the yield curve and help attract FX inflows. The outstanding SRBI stock surged through 2024 to about IDR 900 trillion as of end-January 2025; it lowered to about IDR 700 trillion (~US$43 billion) as of end–October 2025, consistent with a supportive monetary policy stance (Section B). Net International Reserves (NIR) have softened slightly by about US$1 billion from end-2024, as of end-October 2025.

Foreign Ownership of Domestic Tradable Government Bonds



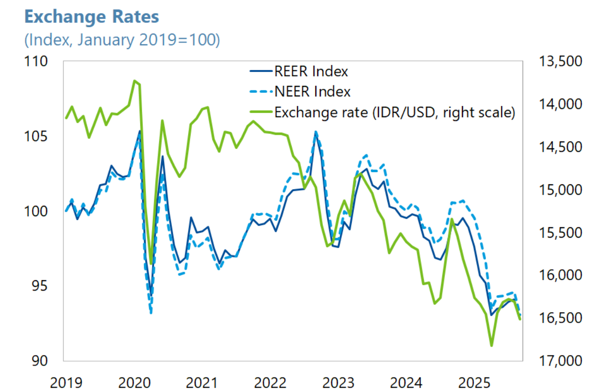
Sources: Indonesian Authorities via Haver Analytics; and IMF staff estimates.

Cumulative Net Portfolio Inflows Across Episodes
(In USD billions. Previous quarter of each episode = 0)

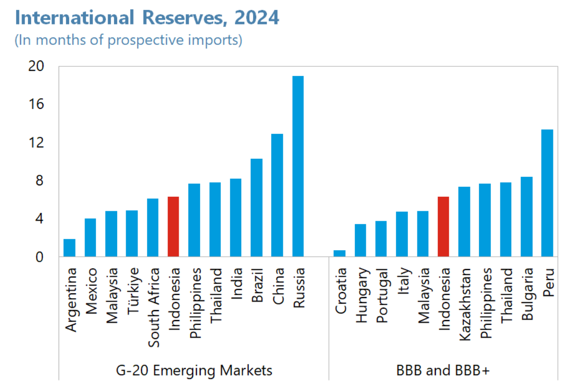


Sources: Bank Indonesia via Haver Analytics; and IMF staff estimates.

[1] The final external sector assessment for 2025 will be provided in the 2026 External Sector Report.



Sources: IMF, Information Notice System; and IMF staff estimates.



Sources: IMF, World Economic Outlook; and IMF staff estimates.

7. **Overall financial conditions have been turning accommodative**. External and domestic shocks triggered a tightening of financial conditions in March/April, gradually easing since then, along with monetary policy (¶21). However, bank credit growth has moderated (at 7.4 percent y/y in October). On the supply side, the loan-to-deposit ratio had been rising into 2025 amid tepid deposit growth earlier in the year. Lending rates have been sticky, reflecting pressure from high deposit rates offered by banks to large depositors in the context of tighter funding conditions earlier in the year. On the demand side, softer consumer confidence and uncertainties may be weighing on consumers and firms alike, reflected by a muted credit demand and rising undisbursed loans (23.0 percent in October).

AN UNCERTAIN OUTLOOK WITH DOWNSIDE RISKS

8. **Macroeconomic indicators are projected to remain broadly stable in the near term**. Growth is projected to rise to 5.1 percent in 2026 and led by domestic demand supported by fiscal and monetary policy accommodation despite elevated uncertainty and the adverse impact on Indonesia's terms of trade from lower commodity prices (Table 1). In line with recent trade negotiations with the US,[2] projections reflect a new tariff of 19 percent. Headline inflation is projected to increase slightly to 2.8 and 2.6 percent, respectively, by end-2025 and 2026. The current account deficit would narrow slightly from -0.6 percent of GDP in 2024 to around -0.5 percent of GDP in 2025, reflecting frontloading dynamics and resilient demand in major trading partners supporting exports, and some softening of import growth. The 2026 deficit, at -1.0 percent of GDP, would remain contained—with widening reflecting partial payback to frontloading, mining disruptions affecting copper exports, and a pickup in import growth, including related to domestic investment. Reserves would remain adequate in 2025 and in 2026 (~6 months of imports).

[2] In July 2025, the United States and Indonesian authorities confirmed a trade deal had been reached, with a base tariff rate of 19 percent applying to Indonesian goods imported by the US. The direct tariff impact itself is expected to be relatively contained, especially in the near term, as exports to the US represent only 10 percent of total exports (~2 percent of GDP). Detailed information on other possible commitments by Indonesia beyond the base tariff, including bilateral import and investment commitments, reduction of bilateral non-tariff measures (NTMs), and/or possible tariff exemptions on Indonesian goods are not yet available, and hence not reflected in the projections.

9. Near-term risks to the outlook (Annex II) are tilted downwards.

- **Downside risks** include escalating trade policy shocks and prolonged uncertainty, which could weaken trade, investment, and growth. Global financial market volatility and corrections (including due to sudden shifts in investor sentiment or the external policy stance), could trigger exchange rate and capital flow volatility, or spikes in sovereign yields. On the domestic side, implementing large policy adjustments without robust guardrails would build up vulnerabilities.

- **Upside risks** stem from sound and bolder-than-envisaged structural reforms, which could boost investment, trade, and private sector-led growth. This includes reducing trade barriers (individually, and mutually with partners (see ¶38 and Selected Issues Papers, SIP), as this would foster better integration into global value chains. Stronger-than-expected growth in Indonesia's main trading partners could provide positive spillovers.

10. Medium-term growth is projected to average 5.2 percent. This would be driven by domestic demand under current policies—supported by a moderate increase in public spending and total investment into the medium term, as well as strengthening exports, given gradual gains from recently finalized trade agreements. Further raising inclusive long-term growth sustainably will require high-quality and well-paced public investment, and a durable increase in the private sector's contribution to growth—through consumption and investment. Implementing ambitious horizontal structural reforms boosting human capital, infrastructure, the business climate, trade openness, and governance, could raise output levels by 2-3 ppts over the medium term, if carefully packaged and implemented (2024 Article IV). These reforms would improve prospects for domestic and foreign investment, reinforce productive and dynamic small and medium-sized firms (SMEs), and reinvigorate the currently narrowing middle class.

Authorities' Views

11. While expecting somewhat stronger growth going forward, the authorities generally agree with the overall outlook. They expect GDP growth between 4.7-5.5 percent yoy in 2025,[3] and around 5.4 percent yoy in 2026.[4] In 2025, resilient growth has been supported by stable consumption, rising public investment, and dynamic exports—due in part by front-loading behavior and a relatively low exposure to US tariffs. The authorities expect growth in 2025: Q4 to be bolstered by expansionary fiscal and monetary policies. Growth would rise in 2026, driven by robust private consumption, sustained domestic investment, and continuously accommodative policies (fiscal, monetary and credit support measures). Over the medium term, GDP growth would gradually rise to 8.0 percent by 2029, underpinned by an acceleration of public spending (in government priorities), with Danantara (Indonesia's new sovereign wealth fund (SWF) and SOE holding company) and the private sector acting as growth engines. Supply-side policies geared towards food and energy self-sufficiency, industrialization and downstreaming, and an enhanced investment climate (e.g., debottlenecking and

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[3] This incorporates overlapping ranges for the Ministry of Finance (5.0-5.2 percent) and Bank Indonesia (4.7-5.5 percent).

[4] This is the growth rate underpinning the 2026 budget.

deregulation) would complement demand-supporting policies. Inflation is well within target range, and volatile food inflation is under control. They broadly share staff's assessment of risks, indicating that they are watching closely the evolution of the US monetary policy stance and yield curve to prevent risks. They generally see domestic policy adjustments as a growth trigger rather than a factor that could create vulnerabilities.

POLICIES: WEATHERING THE TURBULENCE AND CAPTURING OPPORTUNITIES

Protecting policy space and preserving hard-earned policy credibility will be key to withstanding shocks, stabilizing the path towards the Golden Vision, and helping achieve legitimate development goals. A carefully calibrated policy mix should rest on a prudent and credible fiscal stance, led by revenue mobilization to boost high-quality public spending, while limiting quasi-fiscal activity. With inflation expectations anchored and inflation on track, some space remains for monetary policy to foster growth, mindful of other ongoing supportive policies, with the exchange rate serving as a shock absorber. Enhancing the effectiveness of macro policy transmission would be key. Implementing bold structural reforms by phasing out trade and investment barriers as the global economy reconfigures would deliver stronger growth and productivity gains.

A. Fiscal Policy: Protecting Credibility and Enhancing Policy Efficiency to Create Space for the Golden Vision

12. An expansionary fiscal stance is expected in 2025. The fiscal deficit stood at 2.3 percent of GDP in 2024, in line with the budget target and within the fiscal rule's deficit cap (3 percent of GDP). In 2025, the deficit would expand to about 2.8 percent of GDP. This is driven by the loss of SOE dividends (~0.4 ppt of GDP), which now permanently accrue to Danantara (Text Table 1), as well as weaker-than-budgeted tax collections[5] and increasingly robust public spending execution in the second half of the year. Throughout 2025, expenditure has adjusted to evolving priorities, including stimulus initiatives to attend recent social demands (~0.4 percent of GDP, Text Table 1). The widening deficit vis-à-vis 2024 implies an expansionary fiscal impulse (~0.4 ppt of GDP). To support credit growth, the Ministry of Finance (MOF) transferred IDR 276 trillion (1.2 percent of GDP), representing about two-thirds of its cash reserves (SAL) from the central bank account to public banks since September.

[5] The 2025 budget envisaged a 1-ppt VAT rate hike; while the rate was increased as planned, the tax base was significantly reduced in January 2025.

Announced Fiscal Stimulus Package[1]

(In trillions of Rupiah)

Measures	2025	2026
Social assistance: food aid, direct cash assistance	50.4	
Utility and transportation subsidies: electricity and transportation discounts	11.8	
Labor and employment support: wage subsidy, support for laid-off workers, cash for work	19.3	1.5
Urban program: improve housing quality, support gig economy	2.7	
Other tax incentives: MSMEs, home purchase, automotives	20.6	
Miscellaneous: acceleration of deregulation	0.2	1.1
Total	**104.9**	**2.6**
Percent of GDP	**0.44**	**0.01**

Sources: Indonesian authorities; and IMF staff estimates.

1/ For 2025, the package includes those that were deployed in 2025H1, including after the tariff shock, as well as the "8+5+4" measures announced in September 2025 as response to the social demands, and measures announced in October.

13. Staff project the fiscal deficit to widen in 2026; restoring needed fiscal space could be achieved by maintaining careful expenditure management. The approved 2026 budget targets a deficit of 2.7 percent of GDP, focused on the government's priority programs, including the Nutritious Meals Program (NMP), education, health, food security, and defense. The target is based on projected buoyant public revenues anchored by administrative measures and an acceleration in real GDP growth.[6] Staff project a wider deficit (2.9 percent of GDP)—implying a moderately expansionary fiscal stance into 2026—based on more conservative revenue and growth projections and full expenditure execution. Staff recommend securing a fiscal deficit around the approved target; this, together with the fiscal support from below-the-line (see ¶14), would entail a broadly neutral fiscal stance. This would provide sufficient fiscal support given the narrowing but still negative output gap, while preserving policy space to respond to shocks (Box 2). Achieving the deficit target even if revenues were to underperform vis-à-vis budget projections would be feasible through careful spending execution, including by prudently managing the healthy buffers of non-allocated spending already built into the 2026 budget. This approach would help ensure effective and predictable spending in priority programs and support growth, while preserving longstanding fiscal policy credibility.

[6] The approved budget assumes growth for 2026 of 5.4 percent.

Central Government Operations, 2023-26

(In percent of GDP)

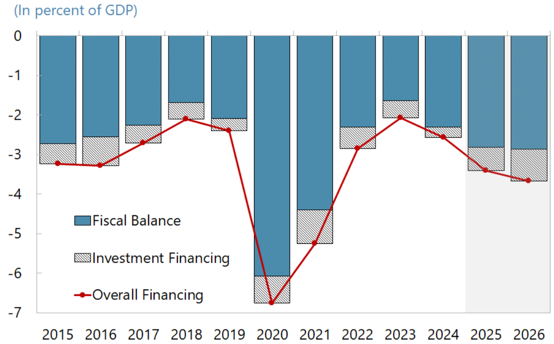
	2023	2024	2025 Budget[1]	2025 MOF Outlook[2]	2025 Proj.	2026 Budget[3]	2026 Proj.
Revenues and grants	13.3	12.9	12.3	12.0	12.0	12.3	12.0
Oil and gas revenues	0.9	0.8	0.8	0.7	0.7	0.7	0.7
Non-oil and gas revenues; and grants	12.4	12.1	11.6	11.3	11.3	11.6	11.3
of which VAT	3.7	3.7	3.9	3.7	3.7	3.9	3.7
of which Profit transfer from SOEs	0.4	0.4	0.4	0.0	0.0	0.0	0.0
Expenditure and net lending	14.9	15.2	14.9	14.8	14.8	14.9	14.9
Current expenditure[4]	8.5	9.0	9.7	9.1	8.9	10.3	10.4
Development expenditure	2.2	2.3	1.5	2.1	2.2	1.7	1.7
Transfers to local governments	4.2	3.9	3.8	3.6	3.6	2.7	2.7
Overall balance	-1.6	-2.3	-2.5	-2.8	-2.8	-2.7	-2.9
Memorandum items:							
Primary balance	0.5	-0.1	-0.3	-0.5	-0.5	-0.3	-0.6
Cyclically-adjusted primary balance	0.6	0.0			-0.5		-0.6
General government debt[5]	39.6	40.2			41.0		41.3

Sources: Indonesian authorities; and IMF staff estimates.
1/ Based on APBN (Oct 2024).
2/ Based on MOF Outlook (July 2025).
3/ Based on APBN (Sep 2025).
4/ Current expenditure in 2026 Budget is pending State Budget Law 2026 enactment.
5/ Based on BI's SUSPI.

14. **Overall fiscal support would be broader than that reflected by the on-budget deficit alone, given the planned increase in below-the-line and quasi-fiscal operations**. The 2026 budget envisages below-the-line investment financing of around 0.8 percent of GDP, including to support the government's food security, social housing and village cooperative programs, with the latter two operating via domestic financial institutions as intermediaries. BI and MOF established a remuneration agreement by which BI will share the financing cost of the housing and cooperatives program, equally splitting the interest costs on the realized budget allocations, net of returns on government placements for the respective programs at domestic financial institutions; overall costs are expected to be manageable. Separately, Danantara is also expected to invest into some public priorities, directly and via its SOEs, beginning in late 2025 and through 2026, further supporting activity.

Overall Financing

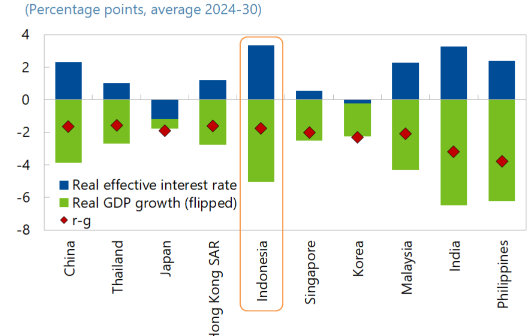
(In percent of GDP)



Sources: Haver Analytics; Ministry of Finance; and IMF staff estimates.

Real Interest Rate - Growth Differential

(Percentage points, average 2024-30)



Sources: SRDSF database; and IMF staff calculations.

15. Indonesia enjoys relatively low sovereign debt risks. Over the medium term, staff project the deficit path to remain broadly flat at around 2.8 percent of GDP as an expected moderate increase in expenditure (with new spending priorities gradually rolled in) is offset by ongoing revenue mobilization efforts. This would support stable public debt of just above 40 percent of GDP. The Sovereign Risk and Debt Sustainability Framework (SRDSF) points to an overall low risk of sovereign stress (Annex III); with sustainability anchored by a contained medium term deficit path and a still favorable interest rate-growth differential. Yet, the borrowing costs and debt-service to tax ratio remain high relative to peers, and the interest bill represents nearly half of the public gross financing needs (GFNs), lowering fiscal space.[7] Expansion of quasi-fiscal activities could raise contingent liability risks (¶17). This highlights the importance of moderating overall fiscal financing needs, carefully calibrating presence both in global and domestic financial markets to preserve policy credibility and good standing, while keeping fiscal risks and contingent liabilities at bay.

16. Continued adherence to the fiscal rules will be critical to preserve policy space and resilience.

- ***Indonesia's rules (a 3 percent of GDP deficit cap, and a 60 percent of GDP public debt ceiling) continue to be well-suited to serve the country's vision***. The deficit rule provides an appropriate, simple and credible anchor, well understood by market participants. It can comfortably accommodate a boost in well-targeted priority spending, if supported by enhanced domestic revenue mobilization. Limiting below-the-line investments and gradually bringing them on-budget would provide a fuller view of the overall fiscal footprint and further enhance the anchoring role of the deficit under the fiscal rule. This should be complemented with an enhanced Medium-Term Fiscal Framework (MTFF), supported by a medium-term objective (MTO) to support long-term sustainability jointly with well-calibrated counter-cyclical policymaking (2024 Article IV).

- ***Managing risks around the fiscal deficit will be important to avoid losing policy space***. New initiatives could press on public spending going forward, posing tradeoffs vis-à-vis the deficit cap. Under adverse shocks, the interest bill could rise, and/or growth and revenues fall short (see Box 2). These risks should be managed preemptively by generating fiscal space, particularly through revenue mobilization and strengthened public expenditure management.

17. Limiting and managing contingent liabilities and quasi-fiscal risks will be essential.

- ***Danantara has the potential to support the authorities' development goals, but related risks should be managed carefully***. Plans to significantly rationalize the number of SOEs (from ~1000 to ~200) and increase their operational efficiency are promising. Yet, Danantara could also significantly expand quasi-fiscal activity and raise risks to the extent that investments are leveraged, underperform and/or accumulate explicit or contingent public liabilities. The materialization of contingent liabilities would reduce fiscal space: an illustrative adverse scenario suggests that the one-off materialization of a relatively high amount of contingent liabilities

[7] Budget financing is largely domestic, with external funding meeting about a quarter of the public GFNs, which are moderate at 5-6 percent of GDP.

would entail higher GFN and public debt paths (Annex III, Figure 6), as well as a higher interest bill, putting pressure against the deficit cap, which would be breached in the absence of offsetting measures.[8] The inclusion of the five largest public banks in the holding will also need to be carefully managed to prevent financial sector risks; limiting public bank exposures to Danantara's own investments will be critical.

Text Table 1. Danantara

Danantara is Indonesia's new super-holding company established in Feb. 2025. It just started operations in Oct. 2025, with frameworks still being defined. This Table describes the key aspects of Danantara based on available information.

Overview	**Established:** February 2025. **Purpose:** Consolidate and manage all State-Owned Enterprises (SOEs)—including public banks—under one entity, while driving strategic national investments.
Objectives	**Asset Management:** Consolidate Indonesia's SOEs to improve efficiency and asset performance. **Investment:** Support investments into national priorities such as infrastructure, renewable energy, food security, and digital transformation. Investment will be both commercial and strategic, the latter will be investments with expected social return and higher economic return volatility.
Assets and Funding	**Assets:** Estimated at US$900 billion (63 percent of GDP), making Danantara one of the world's largest sovereign wealth funds. **Initial Funding:** US$20 billion (1½ percent of GDP), redirected from government budget and SOE dividends. **Financing Tools:** Wide range of modalities allowed. Leverages SOE assets and dividends, collateralized and uncollateralized debt, and co-investment models. Danantara recently raised ~US$3 billion (0.2 percent of GDP) through low-coupon "patriot bonds" issued to large businesses to fund national strategic projects, primarily waste-to-energy facilities and other renewable energy initiatives.
Structure and Governance	**Investment and Business Operations:** Managed by a board led by CEO Rosan Roeslani, focused on investment and operational strategy. Danantara holds 99 percent of its own shares, ensuring operational control. **Supervision and Governance:** A new regulatory body—BP BUMN (State-Owned Enterprises Regulatory Agency)—created under a revised SOEs Law (passed Oct. 2, 2025), would oversee policy, governance, and supervision. BP BUMN holds a 1 percent "A shares" with privileges over key strategic decisions. **Reports:** Danantara and BP BUMN report directly to the President of Indonesia. **Role of Ministry of Finance:** No clearly-defined role yet in investment decisions and/or supervision of Danantara. Fiscal support, if any, would be managed on a case-by-case basis, and linked to Public Service Obligations (PSOs) delivered by SOEs.
Initial Investments	**Amount:** US$10 billion (0.7 percent of GDP) in 2025Q4 (the first three months of operations, starting in October 2025), with 80 percent allocated domestically and the rest overseas. **Projects:** Upstream energy ventures with Pertamina (state-owned oil and gas company), waste-to-energy plants in Indonesia, and the development of a Haj Village in Saudi Arabia.

[8] The contingent liability scenario is calibrated as a one-time 3.2 percent of GDP shock realized in 2026. To illustrate the expansion of quasi-fiscal activities, the shock size assumed is twice as large as outstanding public guarantees as of 2025: Q1 on infrastructure programs of US$22.7 billion (1.6 percent of GDP) as reported in BI (2025).

- ***Mitigating these risks requires putting in place robust governance and accountability arrangements that align with best practice standards***, particularly through strong oversight and reporting obligations; comprehensive and systematic communication and reporting on policies, plans, operations, and balance sheets; robust and transparent frameworks for project selection and implementation, focusing on economic feasibility and returns; securing a well-balanced risk-sharing with private or foreign investors participating in joint projects; running SOEs and public banks based on best commercial practices, and clear and effective accountability frameworks. The Santiago Principles for SWFs and OECD SOE Governance Guidelines provide helpful frameworks in this regard (World Bank 2025).

Text Table 2. Tax Reform Measures

	2017 Fund MTRS	2021 Tax Reform[1]	2024 Fund TA	Potential Revenue Gains[2]
Tax Policy	**3.5**			
VAT	**1.8**			
Remove certain exemptions	0.2	done		-
Reduce registration threshold	0.2	pending		0.2
Replace STLG with VAT and vehicle excise	0.6	pending		0.6
Increase in the standard rate by 2 percentage points	0.8	+1ppt in 2022; limited hike in 2025[3]		0.4
Excises	**0.5**			
Introduce new excises on fuel	0.5	pending		0.5
Add excises on plastic	-	some progress		-
Reform of tobacco taxation			0.7	0.7
Non-tobacco reforms (excluding fuels)[4]			0.8	0.8
CIT	**0.4**			
Replace special regimes by a single CIT	0.2	pending		0.2
Introduce alternative minimum tax	0.2	pending		0.2
Reform small business regime and incentives[5]			1.4	1.4
PIT	**0.4**			
Broaden base (include middle class, reduce SME threshold)	0.4	new PIT bracket		0.4
Reduce basic allowance; reduce top income tax bracket.[6]			0.4	0.4
Property tax	**0.3**			
Reduce transaction tax and increase property tax	0.3	pending		0.3
Carbon tax	-	IDR 30 or higher/kgCO2		
Tax Administration	**1.5**	some progress		-
Compliance improvement programs (VAT, high income individuals)				
Institutional reforms (organization, IT)				
Total Revenue Gains from Pending Tax Policy				**6.1**

Source: IMF staff estimates based on previous country reports (CR 22/84, CR 21/46, CR 19/251), 2017 MTRS Fund TA, and Fund TA (2024).
1/ Tracks implementation of measures from 2017 Fund MTRS (Medium-Term Revenue Strategy).
2/ Potential revenue gains over the medium term in percent of GDP. Estimated as sum of pending tax policy measures from the 2017 Fund MTRS (i.e. not implemented yet in the 2021 Tax Reform) and measures from the 2024 Fund TA.
3/ VAT hike in 2025 limited to luxury goods.
4/ Revenue potential through comparison with international peers.
5/ Rough estimate based on average CIT productivity in comparator countries.
6/ This entails a reduction in the threshold above which the highest rate of 35 percent applies.

18. Reforms to enhance public revenue and expenditure will be key for policy effectiveness—helping enhance its multiplier effect on growth.

- ***Revenue Mobilization***. Increasing revenue remains a priority, given Indonesia's low tax to GDP ratio (~10 percent of GDP); this should help accommodate additional spending while remaining fiscal-rule compliant; cross-country evidence suggests that sustaining tax revenue beyond the 10 percent of GDP threshold is associated with stronger growth.[9] Boosting tax revenue will require enhancing ongoing efforts to tackle fundamental tax administration gaps, including through further compliance risk management (CRM), use of third-party data and government database integration, digitalization (e.g., Coretax), and broadening taxpayer bases. [10] Developing tailored tax compliance strategies focused on large business taxpayers, high wealth individuals and addressing the shadow economy will be critical. These efforts should be complemented with other tax policy measures over the medium term (Text Table 2).

- ***Public spending***. New spending priorities should be gradually rolled out and well targeted, based on absorption and implementation capacity. Improving public investment efficiency would help enhance the fiscal multiplier (SIP 2025). This will require strengthening public investment management (PIM) throughout government levels, boosting project selection through rigorous project appraisal, and securing agile gatekeeping safeguards to minimize risks while preventing bottlenecks.[11] Lifting potential growth will also require strengthening social protection (e.g., by streamlining Indonesia's programs into a unified safety net), boosting the quality of health and education spending while rationalizing non-priority outlays (e.g., energy subsidies).

Box 1. Selected Policy Initiatives and Tools

Several ambitious policy initiatives have been launched to lift growth.

- ***Nutritious Meal Program***. Universal program aimed to reduce stunting and boost human capital via nutritious meals to children and expectant mothers. A total of IDR 71 trillion (0.3 percent of GDP) has been budgeted for 2025. Fully deployed, it could reach IDR 450 trillion (1.9 percent of GDP annually). The program is run on-budget. The initial rollout has confronted challenges including high costs, targeting, logistical issues, quality and governance challenges.
- ***"Red and White" Cooperatives***. The authorities are establishing 80 thousand village cooperatives. Financial support would help build productive infrastructure (e.g., storefronts, warehouses, transport facilities) for cooperative operations. Maximum lending per cooperative is IDR 3 billion, for a total of IDR 240 trillion (~1 percent of GDP) rolled out in the next five years. Lending would be subsidized with support of public transfers from the government to public financial intermediaries.
- ***Public Housing***. Plans for public housing construction and upgrading are seen as needed to support the population and as a potentially powerful growth engine. Supply-side and demand-side subsidized funding is expected from a range of sources, including public banks, MPP-related incentives and below-the-line fiscal financing.[1]

[1] See also World Bank 2025.

[9] See Bellon, M. and R. Warwick (2025), *State Capacity, Institutions and Growth: Taxing for Takeoff—Revisiting the Tax Tipping Point,* International Monetary Fund Working Paper WP/25/203.

[10] For additional tax policy and administration recommendations, see World Bank (2024).

[11] See PIMA (2019).

Authorities' Views

19. **The authorities emphasized that fiscal policy is supporting growth in the near term and remained committed to fiscal prudence**. They concurred with staff's assessment of the 2025–26 fiscal stance, emphasizing support for near-term growth, laying the ground to achieve the government's goal of 8 percent growth by 2029. They agree that overall fiscal support also encompasses below-the-line investments and the SAL transfer to public banks to aid credit growth and catalyze the private sector to support growth. They remained confident in achieving the 2026 deficit target of 2.68 percent of GDP, citing efforts to enhance tax compliance and the flexibility provided by spending buffers built into the budget (which could also be deployed in adverse scenarios). They emphasized their commitment to continued fiscal prudence, enhanced budget efficiency, and adherence to the fiscal rule. The authorities broadly agreed with staff's assessment of fiscal risks and debt sustainability. They assessed that their financing mix, portfolio structure, and debt management strategies have been tested over time, demonstrating ability to provide adequate safeguards against risks, noting that they proactively calibrate their strategy based on market conditions. They saw merit in maintaining prudent cash buffers, noting that their magnitude should carefully balance the need for liquidity under shocks with that of avoiding excessive idle resources that could otherwise foster growth.

20. **The authorities underscored their commitment to preserve fiscal policy credibility, including by prudently managing quasi-fiscal operations and contingent liabilities**. They concurred that Indonesia's fiscal rules provide a key anchor for macroeconomic stability and saw merit in complementing them with a stronger medium-term fiscal framework. They agreed that boosting fiscal revenues will be key to accommodate high-quality spending. They pointed out that strengthening tax administration and raising compliance—through enforcement, modernization, including digitalization through Coretax, and training—remains a priority. They saw Danantara as key to enhancing SOE efficiency and achieving development objectives. They remained confident that Danantara's supervisory, governance, and investment frameworks will be in line with best practices, emphasizing the professionalism of its staff, and its commitment to prudent management and transparency, focused on delivering economic returns for the country. They are committed to containing fiscal risks from Danantara's operations, noting that fiscal support, if any, would be prudently managed on a case-by-case basis, and linked to Public Service Obligations (PSOs) delivered by SOEs (i.e., to deliver non-commercial activities at the government's request, as with energy-related subsidies).

B. Monetary and Exchange Rate Policy: Calibrating Support for Short-Term Growth while Sustaining Stability and Resilience into the Medium Term

21. **The alignment of all monetary policy levers towards easing has been appropriate so far; continuing a data-dependent approach will be key going forward**. Between the US Fed's cutting cycle starting in September 2024 and September 2025, BI reduced the policy rate by 25 bps six times, bringing it to 4.75 percent, amid soft credit growth; it also deployed complementary measures to support liquidity conditions, including easing MPP tools, gradually retrenching the outstanding stock

of SRBI, and net purchases of government securities in the secondary market. To enhance transmission, BI imposed an asymmetric cut (of 50 bps) to the overnight deposit facility rate (to 3.75 percent) in September, while coordinating with Financial System Stability Committee (KSSK) counterparts to tackle sticky deposit rates. BI has paused rate cuts since October. While some space may remain for further cuts going forward (toward the upper-end of staff's estimate of the real neutral rate, 1-2 percent), the pace and extent of cuts should remain carefully paced, data dependent and well-calibrated, considering the ongoing supportive fiscal impulse, the cumulative lagged effects of actions already taken by BI (Annex VI), and the need to preserve space against new shocks.

22. In the face of fundamental shocks, the exchange rate should continue to act as the main shock absorber. The *de facto* exchange rate arrangement is assessed as floating, with significant ER movements during recent stress episodes. During periods of external pressure over the year, BI has implemented FXI to manage ER volatility through its intervention strategy (including FX spot market, domestic non-deliverable forwards (DNDF), alongside offshore NDF interventions.[12] Based on the IMF's Integrated Policy Framework (IPF), well-calibrated FXI may be warranted to avoid excessive tightening of financial conditions in the case of risk-off shocks given Indonesia's shallow FX markets. Such interventions should be judicious and prudent, given the need to preserve buffers in a shock-prone external environment (see 2024 Article IV Staff Report, Annex X), and without preventing needed adjustment in fundamentals if warranted. Indonesia's reserves remain adequate, with welcome efforts to replenish buffers during periods of easing external pressures. The authorities introduced a revision to the export repatriation requirement to raise domestic holding requirements for export profit earnings from commodities after various deductions to 100 percent for 12 months.[13] The allowed deductions have contained the impact of the changes in the repatriation requirement on commodity exporters thus far, and the overall package is not gauged to be tighter relative to the preceding version. Staff recommend that authorities gradually phase out the export profit repatriation requirements with due consideration to market conditions.

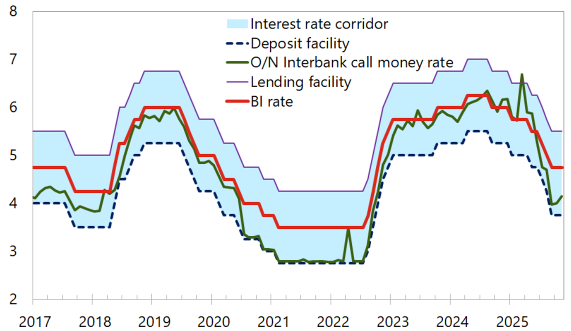
23. BI's efforts to promote market development have borne fruit; further refining its frameworks and gradually reducing BI's presence in the government debt market will be key to enhance policy effectiveness. The 2023 introduction of the SRBI attracted capital inflows at the short end of the yield curve, while boosting money market liquidity, supported by the 2024 introduction of a primary dealer system. Continuing the gradual tapering of SRBI will support BI's goal of boosting liquidity, thus strengthening the monetary policy credit channel. BI introduced a new floating rate note (BI-FRN) in 2025: Q4, to support the development of Overnight Index Swaps and promote a money-market based interest rate structure. BI's market-based "debt switch" of the first tranche of

[12] While FXI data is not public, BI has stated explicitly its pursuit of FXI through these tools, in line with its mandate.

[13] The 2023 revision to the export repatriation required natural resources exporters to retain 30 percent of FX net of FX obligations in the domestic financial system for at least 3 months. The 2025 revision (Regulation 8/2025) changes the requirement for non-oil and gas to a 12-month holding period for 100 percent of earnings after deducting for funds exchanged to rupiah, and/or for various FX obligations (e.g., tax and other government obligations, dividends, procurement of goods and services not sufficiently available at required specifications domestically, and debt repayments related to the procurement of capital goods). For oil and gas, the requirements under the 2023 revision remain. Alongside, BI expanded the set of instruments which could be used to store the funds. There is no conversion requirement. This policy was assessed as an outflow Capital Flow Measure under the IMF's Institutional View on the Liberalization and Management of Capital Flows (2024 Article IV Consultation). See ¶29 for the authorities' views.

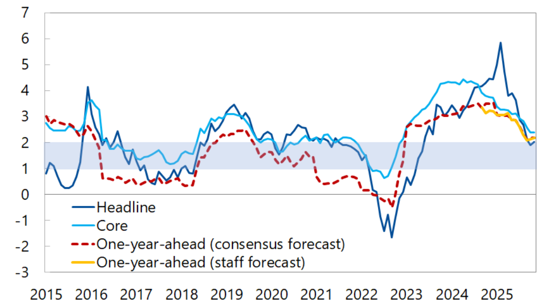
maturing pandemic-era bonds—already considered in its overall net purchases of government securities as part of its monetary policy operations—is welcome. This approach could enable an eventual orderly tapering of BI's exposure to government bonds, which in turn would foster further private sector participation and market development. With the recent MOF-BI remuneration agreement well ringfenced (¶14), limiting further use of the scheme would bolster communication and reaffirm the public's perception of central bank independence.

Monetary Policy and Interbank Rates
(In percent)



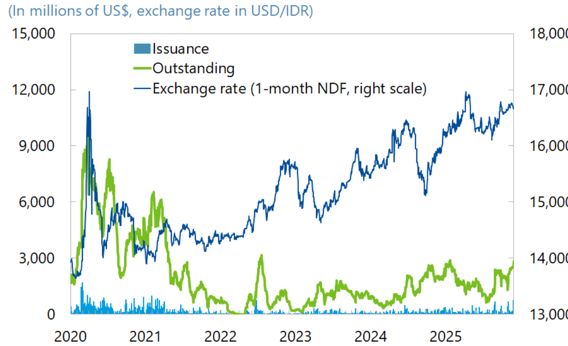
Sources: CEIC Data Co., Ltd.; and IMF staff estimates.

Real Policy Rate
(In percent, adjusted for CPI inflation)



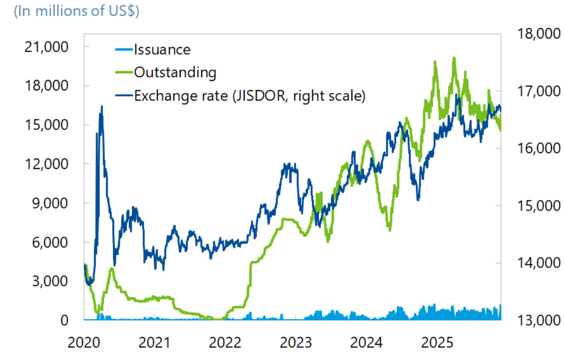
Sources: Bank Indonesia; Haver Analytics; IMF October 2025 World Economic Outlook; and IMF staff estimates.

Domestic Non-Deliverable Forward
(In millions of US$, exchange rate in USD/IDR)



Sources: Bank Indonesia; Bloomberg L.P.; and IMF staff calculation.

Foreign Exchange Swap
(In millions of US$)



Sources: Bank Indonesia; and IMF staff calculation.

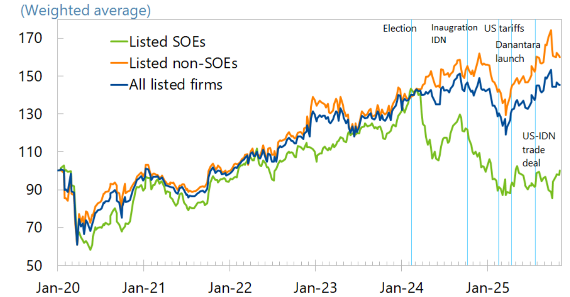
Authorities' Views

24. The authorities broadly agree with staff's assessment and advice on monetary policy, while emphasizing BI's commitment to support growth while preserving stability. With inflation expectations well anchored and the exchange rate broadly stable, monetary policy had room to foster growth through policy rate cuts, supportive MPPs, and open market operations (government securities and SRBI), while following an FXI strategy to manage excessive ER volatility that allows the currency to move with fundamentals. They agree that demand-side factors, such as high uncertainty and soft confidence, may hamper policy transmission. They are taking steps to address this through refinements of their MPPs, i.e., by introducing interest-rate channel incentives in addition to the existing lending-channel incentives under the liquidity incentives instrument (KLM). BI's policy actions will be well calibrated to support growth while maintaining price and financial stability. BI agrees with staff advice for prudent FX interventions, as per its triple intervention strategy. This has helped contain excessive volatility from adversely affecting domestic price and/or financial stability; the broadening of FXI in off-shore NDF markets has proven to be effective and timely. The authorities encourage the Fund to further refine the IPF, noting the need for flexibility, consideration of country-specific circumstances in its implementation, and the need for well-calibrated FXI based on early FX market pressures. This would recognize the uncertainties faced by policymakers in determining the nature and duration of the shocks in real time, and the risks of non-linearities that could affect expectations. The authorities noted that the ongoing "debt switch" strategy, as part of BI's monetary program, supports the monetary policy stance by enhancing liquidity conditions to foster sustainable economic growth, ensuring adequate underlying instruments for BI's monetary operations, and strengthening synergies and close coordination with the Ministry of Finance.

C. Financial Sector Policies: Maintain Resilience While Promoting Development

25. The financial system is broadly resilient. The banking sector, which dominates the financial system, has strong capital and liquidity buffers, and low NPLs (2.2) percent of gross loans as of September 2025). Balance sheets are generally strong, as household, corporate, and public debt remain low.[14] Banks' deposit growth has started to recover, reaching 11.2 percent in September. Lending remains soft with suppressed credit demand, and the preference of financial institutions for safe and liquid assets, including BI and government securities. Following pressures in equity markets in early 2025 (¶5), net equity outflows have stabilized, but cumulative flows remain negative for the year (at ~US$2.5 billion as of end-October). The stock market index (JCI) has recovered, though listed SOEs' prices remain subdued. Overall, systemic risks to the financial sector appear contained.

Equity Prices
(Weighted average)



Sources: Bloomberg; and IMF staff calculations.
Notes: JCI weights obtained from Bloomberg are used to construct weighted averages for SOEs and Non-SOEs. Firms with state ownership greater than 50% are classified as SOEs.

26. The financial sector is being mobilized to support the government's growth agenda. This includes the use of the MPP toolkit and participation in other government-led initiatives; safeguarding soundness and stability will require a careful balancing act.

Macro-Prudential Policies (MPPs). While keeping the MPPs broadly accommodative, BI further loosened several tools (Text Table 3). With systemic risks appearing well contained and amid a negative credit gap, the current loosened MPP settings could be maintained in the near term. Commencing a shift towards a neutral stance as credit growth recovery builds pace would help

[14] FX exposures are subject to prudential regulations that limit banks' net open FX positions and corporates are subject to a hedging and liquidity requirements (see 2024 Article IV for details). The hedging and liquidity requirements for non-financial corporates is assessed as a CFM/MPM under the Fund's Institutional View. The authorities have advised that this measure is not a CFM, and moreover, that the classification of this measure as an MPM does not correspond to the definitions within their own MPP toolkit.

safeguard bank capital and liquidity before risks materialize, given lags and the (higher) cost of introducing buffers during a credit expansion. Clarifying that financial resilience is prioritized in the calibration of MPP tools over the framework's other objectives (balanced and sustained intermediation, financial inclusion) would support communication and policy effectiveness.

Text Table 3. Instruments in BI's Macroprudential Toolkit and Settings, 2020-2025

Instrument	2020	2021	2022	2023	2024	2025
Macroprudential Intermediation Ratio (MIR)	Removed the RR penalty if banks were below the bottom of the range (84 percent–94 percent).	Penalty reinstated for banks with MIR below 75 percent; lower bound gradually increased to 84 percent.				
Macroprudential Liquidity Buffer (PLM)	Tightened to 6 percent from 4 percent.			Lowered to 5 percent.		Lowered from 5 percent to 4 percent for conventional banks, 3.5 percent to 2.5 percent for Islamic banks.
Down Payment Ratio	Lowered to 0 percent for green vehicles.	0 percent for all vehicles.				
LTV		LTV of 100 percent for all properties.				
Inclusive Financing Ratio		Introduced: 30 percent at industry level by 2024.	Individual targets for banks (of lending more than the previous year) and allowed to meet by buying securities.			
Liquidity Incentives (KLM)	Max 50 bps.		Maximum of 100bps in H1, 200bps in H2 and sectoral expansion.	Increased to 280bps in H1 and then 400bps in H2. Further sectoral expansions.	Further refinements to sectoral focus.	Increased maximum reserve requirement deduction from 4 percent to 5.5 percent of third-party funds, with an increased shift towards labor-intensive sectors and housing. Refinements announced in Q4 modify the existing *lending channel* incentives and adds an *interest rate channel*. Lending channel: up to 4.5 percent to be disbursed based on banks' forward-looking lending commitments, with an adjustment factor applied for future disbursements for differences between commitments and actuals. *Interest rate channel*: up to 1 percent incentives based on the co-movement of banks' lending rate with the BI policy rate.
Foreign Funding Ratio (RPLN)					Activated with maximum limit of 30 percent and countercyclical parameter of 0 percent.	Countercyclical parameter adjusted to 5 percent, raising maximum limit to 35 percent.
CCyB	Unchanged at 0 percent					

- ***Growth Initiatives***. The government is actively involving the financial sector in its growth strategy. This includes absorbing SOE banks under Danantara, leveraging their dividends and assets to finance the SWF's selected projects. Other plans include participation in the subsidized lending schemes (e.g., social housing and the "Red and White Cooperatives" programs), and incentivized lending to priority sectors. Managing these initiatives with adequate financial sector safeguards and complementary communication will be key to protecting financial system soundness. Continuing to manage public banks on strict commercial best practices and carefully guarding their balance sheets will be key. Public banks' participation in programs should be gradually rolled out. The programs should be ringfenced and carefully targeted, subject to regular and comprehensive cost-benefit assessments, and to rigorous due diligence and monitoring mechanisms. These steps will help avoid credit misallocation and protect the resilience and credibility of the banking system.

27. Continuing to strengthen the regulatory and supervisory framework—including by enhancing the independence of key agencies—would reinforce financial deepening and resilience. Following up on the 2024 FSAP advice, the authorities are working to strengthen the regulatory and supervisory frameworks on many fronts (Table 12). They are implementing liquidity coverage and net stable funding ratios across all banks and enhancing their stress-testing frameworks. They are working to strengthen the framework governing related-party transactions and to enhance the safety and efficiency of Financial Market Infrastructures (FMIs) and payments. OJK is taking steps to align the use of profit and loss sharing Shariah contracts with the intended purposes and substance of the financial instrument, which will strengthen the development and resilience of the financial sector. Preserving and enhancing the autonomy of key institutions including OJK and the deposit insurance agency (LPS) will be key to financial stability. For LPS, removing the provision of liquidity to banks in recovery and placing strict safeguards on recapitalization of banks in resolutions will be important. It will also be key to provide explicit legal protection for OJK staff against costs that may arise while discharging their duty in good faith, and prioritizing safety and soundness of financial institutions as the core mandate. To achieve a more dynamic financial sector that can effectively support growth, priority should be given to unlocking barriers to deepening, and bolstering market-based intermediation, including by strengthening the credit infrastructure and supporting capital market development. In considering potential revisions to the central bank's mandate, it will be essential to consider that price, financial system, and payment system stability are essential pillars to sustainable economic growth.

28. The authorities continue addressing the gaps in their Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) framework. The 2025 Mutual Evaluation Report by the Financial Action Task Force (FATF) of Indonesia's AML/CFT regime found the legal framework is strong and broadly effective, noting important steps taken by the authorities to further enhance the framework aligned with the 2023 assessment. Key areas for further progress include imposing effective and dissuasive sanctions in all sectors and applying targeted financial sanctions for terrorist financing-related activities. It will also be important to ensure that accurate information on ultimate beneficial owners of legal persons is available to law enforcement, to tax authorities (to support revenue mobilization) and procurement agencies (to support safeguarding public expenditure).

Authorities' Views

29. The authorities broadly agree with staff's assessment that the near-term accommodative MPP policy stance is appropriate and re-iterate that the design of the

mandate and MPP tools reflect Indonesia's needs and circumstances. With a negative credit gap expected to close over 2026 and financial risks well contained and under strict surveillance, pro-growth MPP settings are appropriate. In line with the rest of the monetary policy mix toolkit, MPPs will remain data-driven, including as credit growth normalizes. The current MPP framework is appropriate given Indonesia's circumstances—including the importance of balanced and inclusive intermediation to support overall resilience—and reflects the mandates of the Financial Sector Omnibus Law (FSOL). The authorities re-iterate that in calibrating the toolkit, priority is always given to ensuring financial resilience is maintained. They disagreed that the export repatriation requirement constituted a CFM, noting that this is a policy established by the government, based on the Constitution's mandate that Indonesia's resources should benefit its people. The measure is not aimed at managing cyclical capital flows, but at addressing structural issues by ensuring the earnings from Indonesia's natural resource exports are available as FX liquidity in the banking system to support the country's economic resilience, economic growth and welfare.

Text Table 4. Blueprint for Money Market and FX Market Deepening

Pillar (3P+I)	Objective	Tools/Instruments/Actions	Results 2025: Q3
Product and Pricing	Promote market depth, liquidity and pricing transparency and efficiency across money and FX markets.	▪ BI Floating Rate Note (BI-FRN) issuance to deepen the Overnight Index Swap (OIS) market (initial issuance planned in 2025Q4) ▪ SRBI optimization as a key pricing and liquidity instrument. ▪ Broader high-quality repo collateral for monetary operations. ▪ Broadening margin-related contract standards to support derivatives transactions. ▪ Development of FX derivatives (including DNDF) and price discovery, as well as the money market curve and FX forward curve.	▪ Daily MM transactions reached ~IDR 53.5 trillion (5x higher than in 2020). ▪ Daily FX market turnover approached USD 10 billion. ▪ Strengthened pricing framework through deeper money market term structure and improved transparency in FX pricing.
Participant and Infrastructure	Develop a resilient and transparent money and FX market ecosystem	▪ Implementation of Money Market and FX Market Primary Dealers. ▪ Establishment of the Self-Regulatory Organization (SRO) for Money and FX Markets, APUVINDO, for governance and standards. ▪ Strengthening the competencies' standard of the Money and FX Market participants. ▪ Expanding the market operator's role in facilitating OIS matchmaking ▪ Implementation of a Central Counterparty (CCP) for derivative transactions (e.g. DNDF), introduction of a CCP for repo and other derivative transactions and enhancing the role of CCP as triparty repo agent. ▪ Expansion of the electronic-trading platforms (ETPs): (i) multi-matching system for FX transactions (MMS); and (ii) multi-product (money market and securities transactions). ▪ Strengthening FX and Money Market BI regulations (PBI)	▪ Lower market risk via CCP preparation. ▪ Contributed to more efficient liquidity management, better price discovery, and broader participation from domestic and foreign investors.

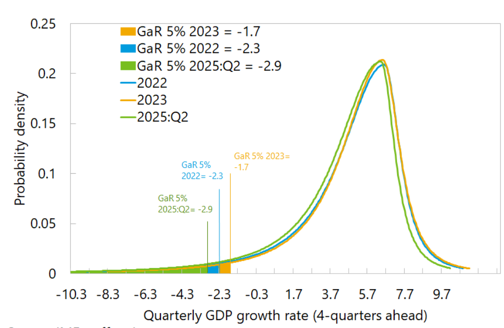
30. The authorities re-iterated their efforts to continue building financial resilience and support deepening. The authorities, including BI and OJK, have been taking steps to enhance the supervisory and regulatory infrastructure. They welcome ongoing IMF engagement following the FSAP, including on various areas of technical assistance, which have been helpful to gain insights from international experiences. They emphasize that the efforts to deploy the financial sector to support the growth agenda will always contain prudential guardrails and the resilience of the banking system will be prioritized. They also highlighted the importance of enabling state-owned banks and NBFIs to manage legacy assets more effectively—through clear and sustained authority to write off and delete uncollectible debt exposures—allowing them to operate on a level playing field with private financial institutions. The authorities reiterated their effort to develop a deep, efficient, and modern money and FX market ecosystem, as envisioned in the Blueprint for Money Market (MM) and FX Market Development (BPPU) 2025 and further expanded under the Blueprint form Money Market and FX Market Deepening (BPPU) 2030 (Text Table 4). The reform agenda is guided by the 3P+I framework — Product, Pricing, Participant, and Infrastructure— aiming to strengthen policy transmission, accelerate money market and FX market deepening, increased transaction volume and liquidity, and enhancement of market conduct, as well as bolstering market stability and infrastructure.

D. Policies to Manage Near- and Medium-Term Risks

The current economic environment is characterized by unusual economic and geopolitical uncertainty, which will contribute to shaping the outlook and economic prospects. External risks include further trade policy shocks and tighter financing conditions. To respond to such potential shocks, the policy mix will need to be nimble, credible and well calibrated, preserving buffers and policy space for any new external shocks down the road.

31. Indonesia has strong fiscal and financial buffers—as well as generally robust policy frameworks—to respond to adverse shocks. Relative to the 2024 Article IV, Growth-at-Risk indicators suggest that the balance of risks has worsened, with the distribution shifting to the left.[15] This is led by somewhat tighter financial conditions as of 2025: Q3, while macro-financial vulnerabilities and external factors play a smaller role. The exercise also highlights Indonesia's sensitivity to China's growth.[16] Reflecting limited trade linkages with the US economy, the Indonesian economy would be relatively insulated from the direct impact of a severe growth slowdown in US growth. If such shocks were to materialize, the response could involve fiscal, monetary policy, and FXI (2024 Article IV, Annex X). Each tool should be carefully calibrated: monetary

Growth at Risk Baseline



Source: IMF staff estimates.

[15] Using data available as of 2025: Q3, estimates yield a 5 percent probability that real GDP would contract by at least 2.9 percent the following year; in contrast, at the end of 2023, they were pointing at a 5 percent probability of a contraction of at least 1.7 percent.

[16] The exercise showcases a 5 percent probability that a severe downturn in China's economy (two-standard deviations growth shock) would produce a fall of 3.5 percent in Indonesia growth the following year.

policy support would need to keep inflation expectations well anchored; the fiscal policy response should remain targeted and temporary to preserve policy space; while judicious and prudent use of FXI could be considered to offset risk-off shocks excessively tightening financial conditions.

Box 2. Illustrative Adverse Global Macroeconomic Scenario and Impact for Indonesia

The materialization of an adverse tariff shock could weaken growth in Indonesia, mainly through the external balance and investment channels. This box provides an illustration of possible effects of a global adverse scenario as per the *2025 October WEO* on Indonesia. The scenario assumes US tariffs for all countries rising to the highest of either the April tariff announcements or the tariff rates in the letters sent in June/July, with attendant supply chain disruptions. This implies a 32 percent US tariff for Indonesia. The shock would be accompanied by lower demand from trading partners, rising global inflation expectations, higher term premia on public debt, tightening global financial conditions and lower demand for US assets. It is a passive (hypothetical) scenario, assuming no discretionary policy reactions by the Indonesian authorities, though spillovers from policy responses elsewhere are considered.

Global GDP would be -1.2 percent lower than baseline in 2026, with a further decline relative to baseline to around -1¾ ppts in 2027. The deterioration would be driven by the direct effect of tariffs on external balances, lower global investment from tighter financial conditions, uncertainty and confidence effects, depressed demand due to a temporary inflation surge and a modest increase in policy rates. Commodity prices are assumed to remain relatively unchanged.

The shock would undermine growth in Indonesia through lower investment, private consumption, and net exports.

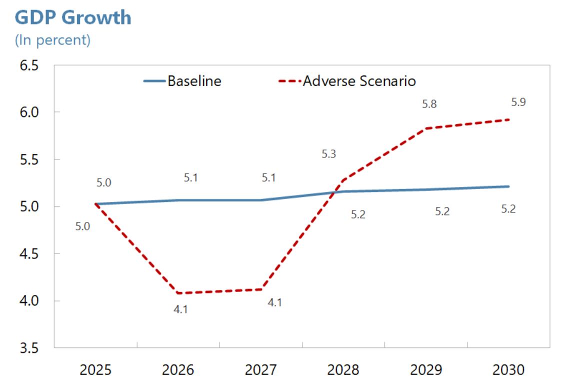
- ***The shock is assumed to be disinflationary for Indonesia***, with inflation lower than baseline by 20 bps in 2026, and further 20 bps in 2027, due to lower domestic demand.
- ***Investment growth would decline*** vis-à-vis baseline given tighter financial conditions and heightened uncertainty.
- ***Exports would deteriorate relative to the baseline*** given lower trading partner growth in the near-term; the small share of Indonesian exports to the US would limit direct effects of tariffs. This would be partially offset by less dynamic imports.
- ***Private consumption would be dented as well,*** although the effect could be partially offset by the lower prices cushioning purchasing power.

In a "no policy reaction scenario", real output could decline by a cumulative 1.8 ppt in 2027 relative to baseline. This would render growth at ~4.1 percent in 2026 and 2027, with a rebound thereafter. During the shock episode, the fiscal deficit would widen given higher interest payments as the financing cost rises; without compensating measures, it could slightly exceed 3 percent of GDP deficit cap by around 2028. The public debt-GDP ratio would also rise over the medium term, but it would remain below the 60 percent of GDP ceiling. Gross reserves would bottom at around 102 percent of the ARA metric in 2027 (vs. 122 percent in the baseline), while remaining adequate. Despite the shock, financial vulnerabilities (including those related to FX-exposures) would remain well contained, as reflected in the 2024 FSAP.

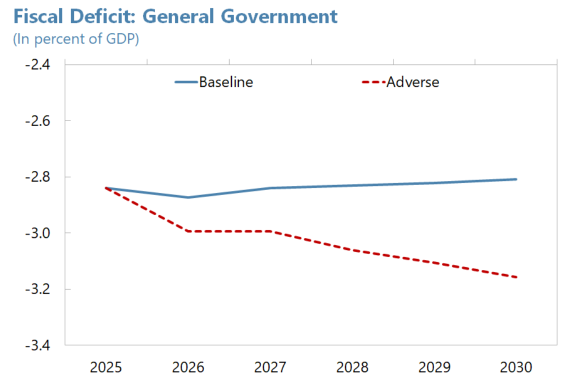
The scenario reflects the importance of protecting Indonesia's buffers and policy space. It underscores the need to preemptively safeguard fiscal space that would allow automatic deployment during the episode, without breaching the fiscal rule. If the adverse scenario were to materialize, discretionary fiscal measures may be warranted, but these should be well targeted, temporary, and accommodated within the fiscal rule (Annex II). In general, staff's view is that the deficit fiscal rule should be complied with, to preserve fiscal credibility and avoid

Box 2. Illustrative Adverse Global Macroeconomic Scenario and Impact for Indonesia (Concluded)

an unwarranted hike in borrowing costs.[1] Under a prolonged shock, exchange rate flexibility would help support the economy via the current account (see Annex II for policy recommendations to different shocks).



Source: IMF staff estimates.



Sources: IMF staff estimates.

[1] The suspension of the rule has been invoked in the past only under extreme circumstances, not comparable to the shock illustrated in this exercise (e.g., during the pandemic, GDP *contracted* by 2 percent yoy on impact).

Authorities' Views

32. **The authorities agreed that global shocks are a relevant risk but noted that Indonesia is well prepared to fend them off proactively**. As shown by resilient growth this year, Indonesia's diversified trading partnerships alongside a strong and large domestic consumer base will help contain the impact of shocks. If further shocks were to materialize, Indonesia would have the space and institutional settings to support the economy. Discretionary spending built in the budget, along with healthy buffers, would enable implementation of discretionary fiscal policies without breaching the deficit rule. Likewise, BI's policy mix will be appropriately directed toward fostering economic growth while maintaining stability (pro-stability and growth), in close synergy with national economic policy.

E. Structural Reforms to Bolster Private-Sector Led Growth

33. **Structural reforms are critical for boosting long-term growth sustainably**. Given Indonesia's diversified economic structure, relying mostly on sector-based industrial policies (IP) to achieve the Golden Vision may limit the ability to deliver broad-based growth and high-quality employment, and could entail fiscal costs and economic misallocation. Continuing with efforts to close physical, human and institutional capital gaps will be critical to increase long-term growth and lift productivity. Indonesia is endowed with favorable demographics with working age share of population expected to peak around 2030; harnessing this demographic dividend will require strong

structural reforms, including investing in human capital and creating high-quality jobs.[17] Relying on bold horizontal structural reform packages to complement demand-oriented measures could yield significantly higher potential output (2024 Article IV). Key structural reform priorities include governance and anti-corruption, skills and learning outcomes (while focusing training efforts on areas with real growth potential, such as manufacturing, digital services or green jobs), logistics and infrastructure, trade openness, the investment and business environment, and enhancing social protection.

34. Fostering a dynamic private sector-led growth model will be essential for growth sustainability. A buoyant private sector would reduce reliance on public spending as a growth-driver, allowing macroeconomic policies to focus on fostering stability and easing pressure on domestic financing. Key elements include:

- **Revitalizing the declining middle class would anchor robust private consumption and savings**. The middle class has shrunk since the pandemic (Box 3), amid a loss of purchasing power. Workers have partially shifted into less productive informal jobs in agriculture and services, while formal sector workers are tied to low and medium-skilled jobs. Efforts could focus on raising labor productivity (and higher wages) via training opportunities to reduce skill mismatches, targeted upskilling programs, and improvements in broad education outcomes. Identifying regulatory barriers that may be contributing to informality and introducing stronger incentives for formal employment will also be key.

- **Generating strong MSMEs to promote productive investment**. Supporting MSMEs in Indonesia requires targeted efforts to address the most significant operational obstacles. According to World Bank Enterprise Surveys, access to finance remains the biggest obstacle to growth, followed by crime and corruption. Compared to peer economies, Indonesian MSMEs face significantly higher borrowing costs and more complex loan application procedures, compounded by low financial literacy and poor financial management, which further restrict creditworthiness. Improving financial inclusion, including by simplifying the collateral registry and expanding digital infrastructure, can help narrow the credit gap, enhance firm performance and foster high quality job creation (see 2024 Article IV Selected Issues). Strengthening law enforcement and anti-corruption measures is essential to reduce non-financial obstacles.

- **Fostering FDI to boost investment, connectivity and knowledge transfer**. Boosting the investment and business climate will be critical to generate job-rich growth across sectors. Lowering barriers to trade and regulatory burdens, together with stable, reliable, predictable and transparent policies, would help secure investor confidence and unlock further FDI potential.

- **Amplifying gains through governance reforms supporting a sound business environment**. Firmly pressing ahead with efforts to enhance governance and tackling corruption should further foster a reliable environment for businesses, workers and households. This could include

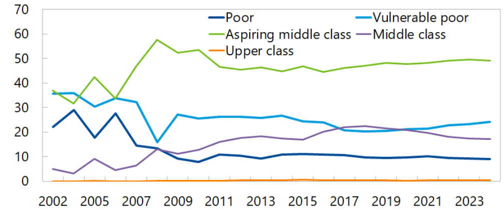
[17] See Alonso, C., M. Green, R. Huidrom and Y. Hul, *Harnessing the Demographic Dividend: How to Create Decent Jobs for Growing Populations?* International Monetary Fund, (forthcoming).

protecting the autonomy of anti-corruption institutions, strengthening enforcement capacity (e.g. through risk-based verification of asset declarations), and ensuring regulatory clarity and judicial independence.

Box 3. The Evolution of the Middle Class[1]

Indonesia's middle class has been shrinking for the last five years. Following an increasing trend before 2019, in line with poverty reduction, the share of the middle class has shrunk (by 5.4 percentage points from its 2018 peak), mirrored by an increase in the aspiring middle class and vulnerable poor. Similar declines have been documented elsewhere (e.g., India, Thailand, Vietnam, Brazil) due to job losses from automation and rising living costs (OECD, 2019 and Rakesh, 2024). Indonesia's middle-class share, however, lags its peers, hinting at country-specific factors behind the trend.

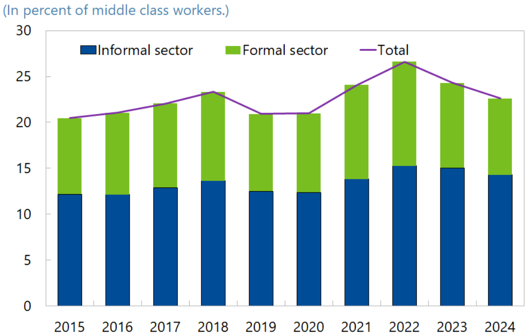
Economic Classes in Indonesia
(In percent of total population)



Sources: Statistics Indonesia; and IMF staff calculations.
Notes: World Bank and Statistics Indonesia (BPS) define the middle class as those who enjoy economic security-free from the risk of monetary poverty and able to direct disposable income toward discretionary rather than subsistence spending. Using household survey data, the middle-class threshold is identified at the point where there is less than a 10 percent chance of falling into poverty or vulnerability in the following year, based on current consumption. In practice, categories are defined as follows: Poor (≤ Poverty Line), Vulnerable Poor (Poverty Line < x ≤ 1.5× Poverty Line), Aspiring Middle Class (1.5× < x ≤ 3.5× Poverty Line), Middle Class (3.5× < x ≤ 17× Poverty Line), Upper Class (> 17× Poverty Line).

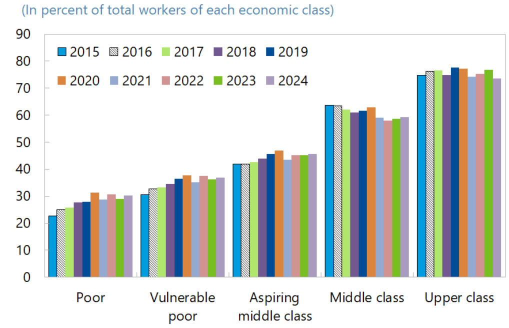
Indonesia's middle class struggles to achieve high quality employment. The middle-class unemployment rate is relatively low (~3 percent), but above pre-pandemic levels (below 2 percent). Likewise, middle-class under-employment (working for less than 35 hours a week), is at 22.6 percent (vs. 20 percent pre-pandemic), driven by a shift towards the informal sector. The middle class is the only group experiencing a steady decline in formal employment, while other economic classes have maintained or expanded formality levels. Eroding employment quality, combined with rising informality (in the agricultural sector and informal services), underscores the fragility of middle-class employment conditions.

Middle Class Underemployment Rate
(In percent of middle class workers.)



Sources: Statistics Indonesia; and IMF staff calculations.

Formal Work by Economic Class
(In percent of total workers of each economic class)



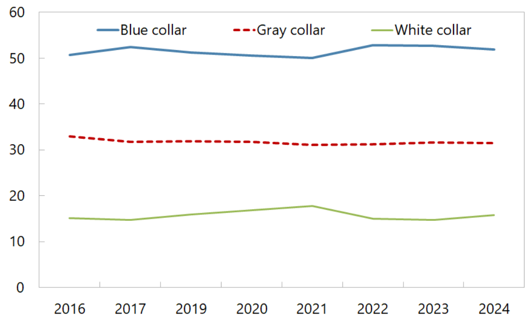
Sources: Statistics Indonesia; and IMF Staff calculations.

Middle-class workers are mostly in low- and medium-skilled jobs, and are vulnerable to low wages and technological disruption, and less likely to benefit from productivity increases. The share of middle-class individuals not in employment, education, or training (NEET), at 2 percent, exceeds its 2019 low (~1.4 percent), pointing to unproductive segments in the labor force. More than half of middle-class employment between 2016-24 was linked to blue-collar occupations, while white-collar positions are fewer than 20 percent. This implies limited access to higher-wage, career-advancing opportunities. It also translates into structural vulnerability vis-à-vis new technologies such as artificial intelligence (AI), with around 20–25 percent of middle-class workers in occupations threatened by AI (sales and services). Jobs with low AI exposure (such as agriculture and elementary work) remain widespread but face challenges to deliver productivity gains. AI-complementary roles (professional and technical positions) make up less

Box 3. The Evolution of the Middle Class (Concluded)

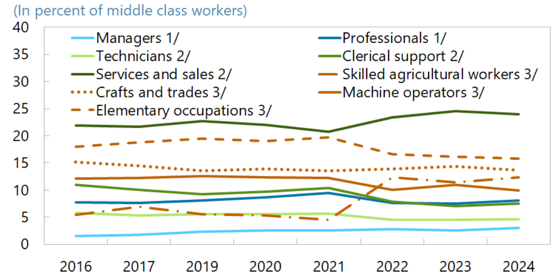
than 10 percent of middle-class employment, signaling untapped potential for technology to boost earnings and productivity.

Middle Class Job Position Type
(In percent of middle class workers)



Sources: Statistics Indonesia; and IMF staff calculations.

Middle Class Job Positions Based on Vulnerability to Artificial Intelligence
(In percent of middle class workers)



Sources: Statistics Indonesia; and IMF Staff calculations.
1/ Complemented by AI.
2/ Threatened by AI.
3/ Low Exposure to AI.

[1] Tresnatri and others (forthcoming), "*Stuck in the Middle with You? An Analysis of Income Dynamics in Indonesia.*"

35. Indonesia has taken commendable steps towards global integration amid recent trade uncertainties and is pursuing a de-bottlenecking effort to support investment. Indonesia has joined the BRICS and is negotiating OECD accession.[18] It has signed the Comprehensive Partnership (CEPA) with the European Union (EU) and Canada, and it is working towards joining the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP), among other integration efforts. These add to the deal with the US, which is being finalized. Most of these agreements envisage some reduction in Non-Tariff Measures (NTMs) vis-à-vis economic partners.[19] More generally, the authorities have established de-regulation and de-bottlenecking efforts, seeking to identify and tackle binding constraints to private investment.

36. Indonesia's IP has sought to capture a greater share of its commodities' value added (downstreaming) and develop a self-sufficiency agenda; it is currently being expanded, including via Special Economic Zones (SEZs).

- ***Downstreaming***. The initial launch, with a January 2020 re-instatement of an export ban on nickel ore—of which Indonesia is the largest global producer—attracted foreign investments in refining and, more recently, further along the e-battery and e-vehicle (EV) chain. Since the export ban, Indonesia's share of global nickel production rose to ~60 percent (2024); the export value of refined nickel products also increased, though plateauing since 2023 as global prices moderated.

[18] Indonesia submitted its self-assessment to the OECD, as part of the first steps towards OECD accession.

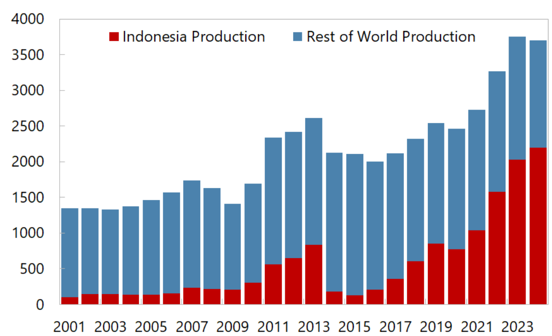
[19] In April, when announcing its first set of tariffs, the US formally noted the presence of non-tariff measures (NTMs), such as import and export restrictions, local content requirements (LCRs), and the export profit repatriation requirement (a CFM), and cited business processes as cumbersome. Since then, LCRs for public procurement have been lowered from 40 to 25 percent.

The authorities envision expanding downstreaming to 28 commodities, with varying strategies and tools, with plans at different stages of progress.

- ***Self-sufficiency in food and energy***. The agenda seeks to raise domestic production of key staples (e.g., of rice, crude palm oil, sugar cane) and redeploy production to reduce food and energy imports. Via food estates, Indonesia reached self-sufficiency in rice in 2025. Other efforts overlap with the downstreaming agenda as they involve higher value-added processing (e.g., transforming crude palm oil and sugar cane for biofuels). While these policies may boost domestic production, it will be important to consider tradeoffs due to increased exposures to domestic shocks.

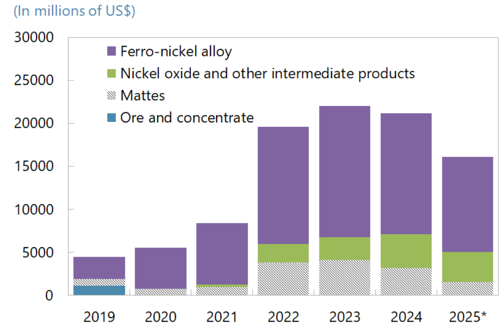
- ***SEZs***. With nearly 30 operating SEZs, the strategy seeks to attract, through incentives and enhanced operational environments, investments in goods as well as tradeable and high-value added services. Exploiting the full benefits from SEZs will require them to be well-connected to the domestic economy while avoiding displacing investments and profit shifting.

Nickel Production
(In thousands of metric tons)



Source: U.S. Geological Survey.

Nickel Exports
(In millions of US$)



Source: CEIC Data Co., Ltd.
Note: 2025 data is up to September.

37. Carefully deploying IP will be critical to capture potential benefits while minimizing costs, including outward spillovers (see 2023 and 2024 Article IV Staff Reports). Reconciling IP with ongoing trade integration efforts lowering barriers to trade and investment would be essential. Increasing opportunities for success and mitigating fiscal, financial and economic efficiency risks will require careful IP design and parsimonious deployment, targeting well-identified market failures, relying on continuous cost-benefit analysis, establishing strong governance safeguards, and focusing on preserving competition. The welcome ongoing push for trade and investment integration—alongside the de-bottlenecking agenda—could provide an avenue to intensify the domestic value added through streamlining investment and trade barriers to boost higher-value added production. De-bottlenecking efforts could also benefit from information by foreign investors to provide the basis for reforms that could help level the playing field and foster further job-rich private sector activity across the board. The SEZ could serve the deregulation efforts, if used as laboratories to test out modalities for liberalization. Finally, horizontal structural reforms should not be put aside to favor IP: they deliver larger effects than IP and are key to enhance IPs' success.[20]

38. Accelerating deregulation, reducing trade barriers, and improving the investment climate are critical to strengthening Indonesia's long-term growth and resilience to global shocks. Staff's estimates suggest that a broad and ambitious deregulation effort, particularly simplifying and eliminating non-tariff measures (NTMs), could yield substantial gains. A large portion of these gains could be realized through unilateral efforts by Indonesia (see 2025 SIP chapter 2). This would be enhanced if pursued in the context of deep trade agreements with major partners. Such reforms, if applied broadly, would boost the signal that Indonesia is "open for business," enhancing trade and investment flows while deepening integration into global value chains. Structural reform priorities—including to strengthen logistics and human capital—could expand Indonesia's comparative advantages into more global-value-chain (GVC)-linked manufacturing and tradeable services sectors, broadening the gains from trade openness and more fully leveraging Indonesia's demographic dividend.

39. Indonesia's data is broadly adequate for surveillance, though it could be strengthened further in some areas (Annex IV). The authorities are pursuing longstanding efforts to further enhance and modernize statistics. These welcome initiatives include preparations for a GDP rebasing (expected in early 2027), plans to adopt the newest statistical standards in national accounts and balance of payments over the medium term (SNA 2025 and BPM7), and other efforts to enhance economic statistics and their dissemination, including through a more frequent and timely publication of labor statistics (expected in early 2026).

Authorities' Views

40. The authorities remain firm in their Golden Vision ambition, with emphasis on policy supported programs, achieving an attractive investment climate, and strengthening economic and trade partnerships. They see the next 15 years as a window of opportunity, during which the economy can tap on the demographic benefits of a low dependency ratio. They welcome staff's analysis that trade integration with a diverse group of partners can yield significant benefits, especially if complemented by productivity-enhancing structural reforms and investments. They are pursuing deeper trade integration, with agreements with EU and Canada already in place, and ongoing efforts with the US, CPTPP, MERCOSUR, and others. They plan to enhance the investment climate by streamlining business processes. They introduced policies facilitating trade, easing import restrictions in several sectors (e.g., raw materials, footwear), and introduced export-oriented special economic zones (SEZs). The debottlenecking agenda will enhance the business, trade, and investment environment. Trade integration efforts will be balanced with the need to develop local supply chains, increase domestic value added from commodities, and enhance resilience in an uncertain global context. The authorities stressed their endeavor for a continuous enhancement of statistics, noting

[20] See Baquie and others, 2025. Industrial Policies: Handle with Care IMF Staff Discussion Note SDN/2025/002. International Monetary Fund, Washington, DC.

efforts to improve granularity and coverage of national accounts, including ongoing work toward a 2025 GDP rebasing (forthcoming in 2027), and enhanced timeliness of labor statistics.

STAFF APPRAISAL

41. Indonesia's economy remains resilient despite adverse external shocks. Policies remain broadly prudent, with fiscal deficits below the fiscal rule cap of 3 percent of GDP, and an appropriate monetary policy easing in the context of well-contained inflation, slowing credit growth, and a still negative output gap. The financial sector is broadly resilient. Indonesia's external position in 2025 is assessed on a preliminary basis to be broadly in line with the levels implied by fundamentals and desirable policies. The authorities are pursuing a range of government-led initiatives, including industrial policy (IP) and accommodative macro policies to reach high-income status by 2045. Risks to the near-term outlook are titled to the downside, which also puts a premium on preserving Indonesia's longstanding policy soundness and credibility, and protecting its buffers and policy space.

42. Fiscal policy remains broadly prudent: securing the 2026 budget target would help preserve policy space while supporting growth. The deficit is projected to widen slightly beyond the budget (to 2.9 percent of GDP) in 2026; this deficit level risks reducing the policy space relative to the deficit cap. While some fiscal support is warranted, a slightly smaller fiscal deficit than projected—around the budget target of 2.7 percent of GDP—would be appropriate given economic resilience and the need to preserve room to respond to future shocks. This calls for continued careful spending execution, including through management of the healthy buffers of non-allocated spending already built into the 2026 budget.

43. Adhering to long-standing fiscal rules and guardrails is critical to preserving policy space and maintaining credibility. The deficit rule can support well-targeted priority spending, if accompanied by a boost in domestic revenues. Continued adherence to the fiscal rule, even when responding to new shocks, would reinforce fiscal credibility and help contain overall financing needs. Reforms to mobilize revenue that help finance a boost in high-quality public spending would help make fiscal policy more effective and growth friendly. Reducing risks to the sovereign will require avoiding quasi-fiscal activity and the buildup of contingent liabilities. Putting in place robust governance and accountability frameworks in Danantara, in line with best practice standards will help ensure it serves as an effective instrument for enhancing Indonesia's long-term growth while reducing risks. Beyond Danantara, avoiding an expansion of below-the-line and quasi-fiscal activities, while carefully ringfencing and monitoring these operations will help better gauge Indonesia's overall fiscal footprint, raise credibility and heighten the effectiveness of the fiscal rules.

44. While some space remains for further policy rate cuts if warranted, the pace and extent of such cuts will need to remain data-dependent. Further easing steps will need to consider the lagged transmission from monetary policy actions already taken, the expansionary fiscal impulse, and the need to preserve space vis-à-vis new shocks. The exchange rate should continue to function as a shock absorber, particularly in the context of fundamental shocks. The use of FXI may be warranted in case of excessive tightening of financial conditions amid risk-off shocks in the context of Indonesia's shallow FX markets. If deployed, a judicious approach will be needed to preserve buffers in a shock-prone external environment. Over the medium term, gradually lowering BI's presence in the government debt market could enhance private sector participation and further enhance market liquidity and depth.

45. The financial sector remains resilient; its mobilization to support the growth agenda should be thoughtfully managed to preserve gains. With a small negative credit gap in the near-term and systemic financial risks contained, a near-term accommodative MPP stance remains appropriate. A gradual shift towards a neutral setting as credit growth recovers would preserve buffers for future shocks. Clarifying that the MPP framework prioritizes financial resilience would enhance communication and policy effectiveness. Carefully targeting and ringfencing growth-oriented policy initiatives implemented via the financial sector, would be important to protect financial system resilience and limit credit misallocation. Strengthening the regulatory and supervisory framework—including by enhancing the independence of key financial sector agencies—would reinforce financial deepening and resilience. The authorities continue commendable efforts to deepen the financial system. Progress made in addressing the gaps in their Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) framework is welcome.

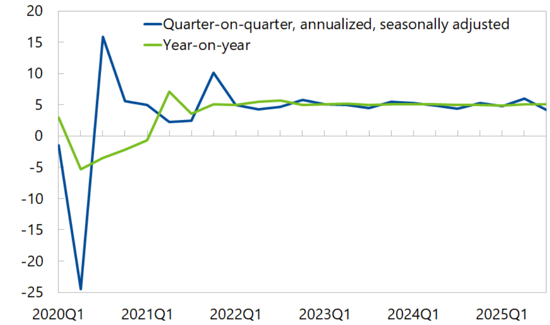
46. Structural reforms and deregulation efforts would sustainably boost long-term growth. Promoting durable and dynamic private sector-led growth will be essential, including revitalizing the declining middle class, strengthening MSMEs, and attracting FDI. Calibrating IP to target well-identified market failures, based on cost-benefit analysis, preserve competition, enforce strong governance safeguards, and minimize adverse outward spillovers will be critical. Reconciling IP design with ongoing trade integration efforts that significantly lower barriers to trade and investment would be essential. Indonesia has made notable and welcome efforts toward trade integration despite recent trade uncertainties. Further impetus to deregulate, enhance trade openness (reducing trade barriers and deepening trade agreements), and improve the investment climate would bolster the country's growth and resilience to global shocks over the long term. Other key reform priorities include strengthening governance and fighting corruption, improving education and skills, and upgrading logistics and infrastructure.

47. It is recommended that the next Article IV consultation take place on a standard 12-month cycle.

Figure 1. Indonesia: Recent Economic Developments

Real GDP growth has been resilient in 2024 and 2025…

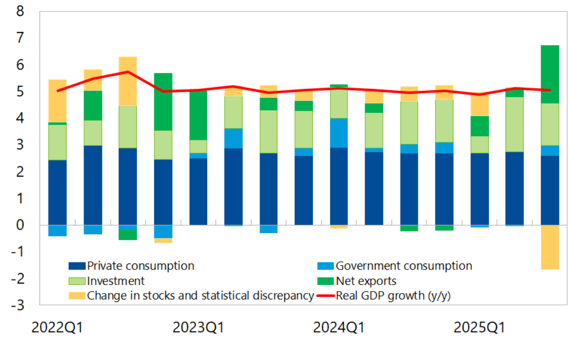
Real GDP Growth
(In percent)



Sources: Badan Pusat Statistik via Haver Analytics; and IMF staff estimates.

…supported by a robust domestic demand and net exports.

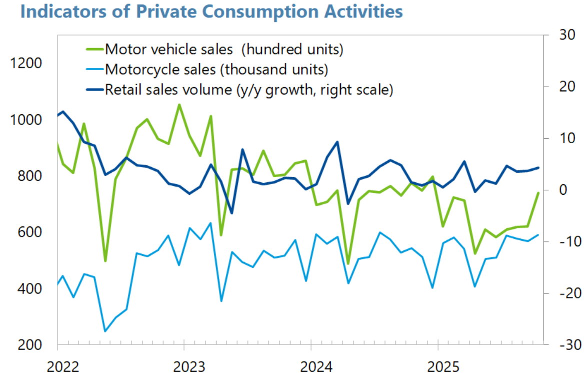
Contribution to Real GDP Growth
(In percent, year-over-year)



Sources: Haver Analytics.; and IMF staff estimates.

Private consumption indicators have edged down, but somewhat recovered…

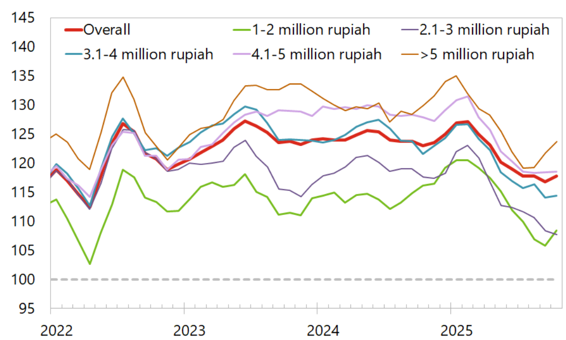
Indicators of Private Consumption Activities



Sources: Haver Analytics; and IMF staff estimates.

…and consumer sentiment has seen a very recent uptick.

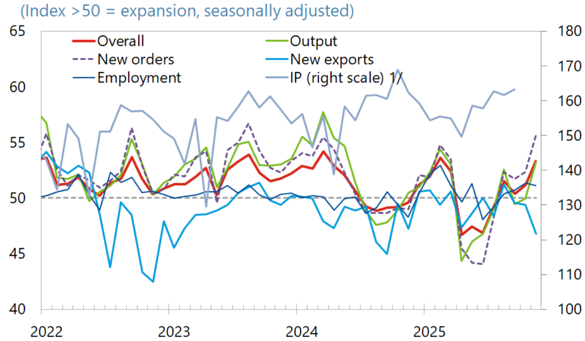
Consumer Confidence Index by Respondents Expenditure
(Index >100= increase, 3mma)



Sources: Bank Indonesia via Haver Analytics; and IMF staff calculations.

Manufacturing sentiment has transited out from negative territory…

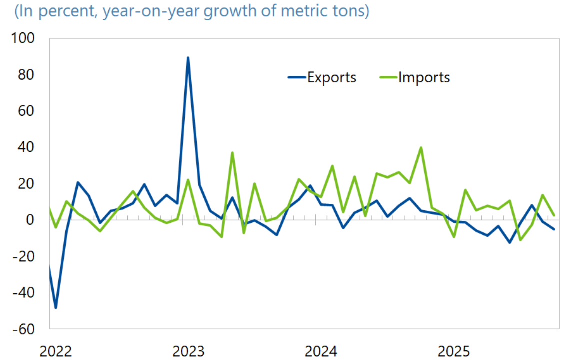
Manufacturing Purchasing Managers' Index
(Index >50 = expansion, seasonally adjusted)



Source: Haver Analytics.
1/ Industrial production index, 2010=100.

… while the volume of merchandise exports has recently declined.

Merchandise Trade Volume
(In percent, year-on-year growth of metric tons)

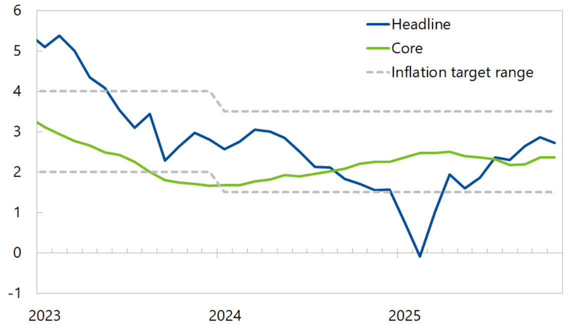


Sources: BPS via CEIC Data Co. Ltd.; and IMF staff estimates.

Figure 2. Indonesia: Inflation Dynamics

Inflation is well within its target band and approaching its midpoint following temporary shocks…

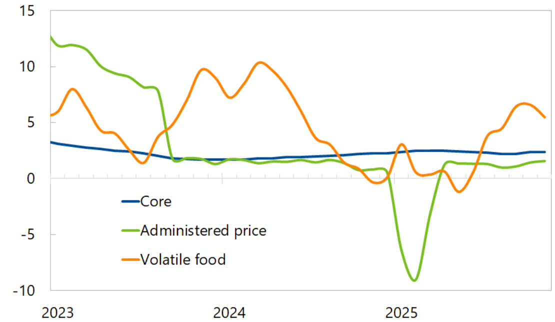
Inflation Developments
(In percent, year-on-year)



Sources: Haver Analytics; and IMF staff estimates.

… including a one-off reduction to administered electricity prices; volatile food inflation has since accelerated somewhat, and core inflation has gradually recovered.

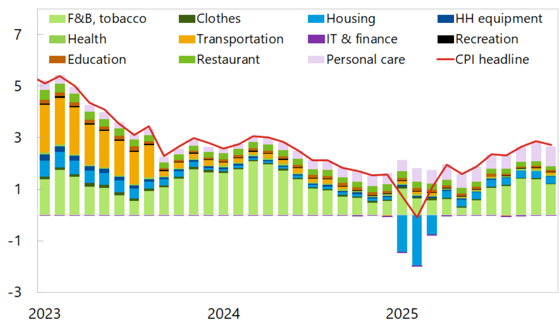
Categories of Price Inflation
(In percent, year-on-year)



Source: Badan Pusat Statistik via Haver Analytics.

Food price volatility has driven headline inflation, and housing prices (embedding the temporary electricity discounts) have recovered over the last months.

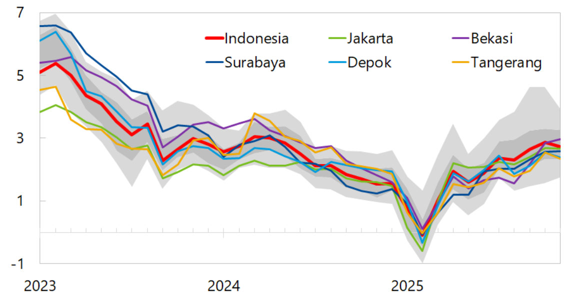
Contribution to Headline Inflation
(In percent, of year-on-year)



Sources: Badan Pusat Statistik via Haver Analytics; IMF staff estimates.

Inflation dynamics were relatively similar across Indonesian regions.

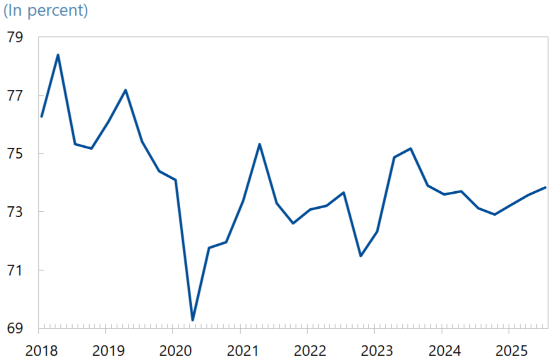
Consumer Price Inflation in 90 Cities 1/
(In percent, year-on-year)



Sources: Badan Pusat Statistik; CEIC Data Co. Ltd.; and IMF staff estimates.
1/ Darker shade indicates 25th to 75th percentiles, lighter shade indicates 10th to 25th and 75th to 90th percentiles.

Capacity utilization has declined since end-2023 and is below the pre-pandemic levels, in line with the still negative output gap.

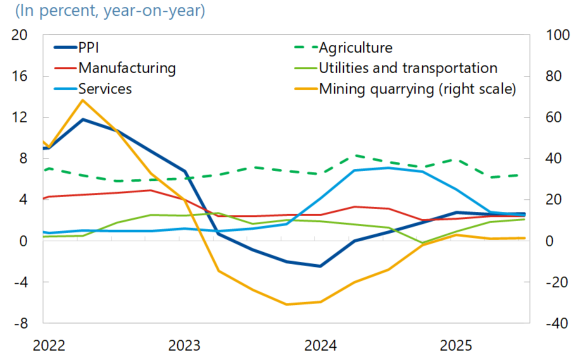
Business Survey: Capacity Utilization
(In percent)



Source: Bank Indonesia via Haver Analytics.

PPI inflation picked up since 2024.

Components of Producer Price Inflation
(In percent, year-on-year)

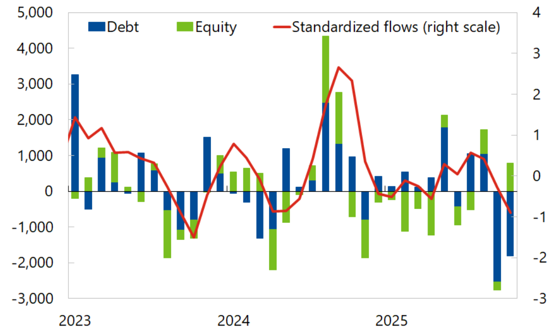


Sources: Badan Pusat Statistik via Haver Analytics; and IMF staff estimates.

Figure 3. Indonesia: Capital Flows and Market Developments

Portfolio investment has been subdued in 2025.

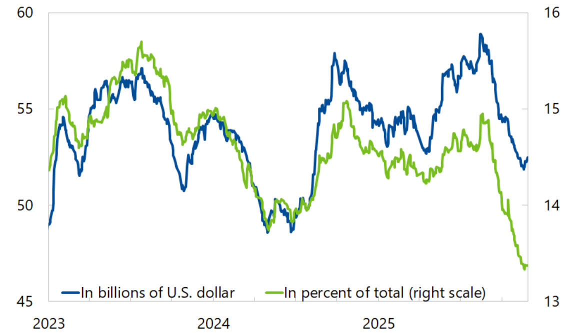
Portfolio Equity and Debt Flows
(Left scale, in millions of U.S. dollar; right scale, in standardized values)



Sources: IIF via Haver Analytics; and IMF staff estimates.

Rupiah government bonds held by foreign investors in 2025 fell as a share of the stock.

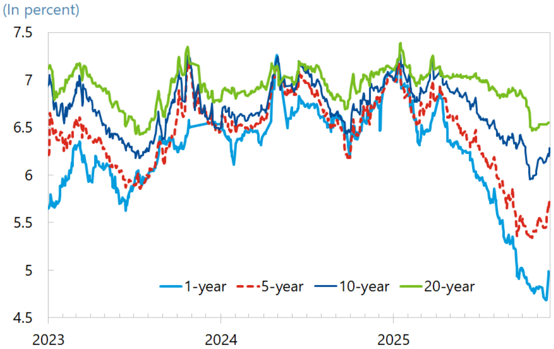
Foreign Ownership of Rupiah Government Bonds



Sources: Bloomberg L.P.; CEIC Data Co., Ltd.; and IMF staff estimates.

Market interest rates have fallen year-to-date, especially for shorter tenors…

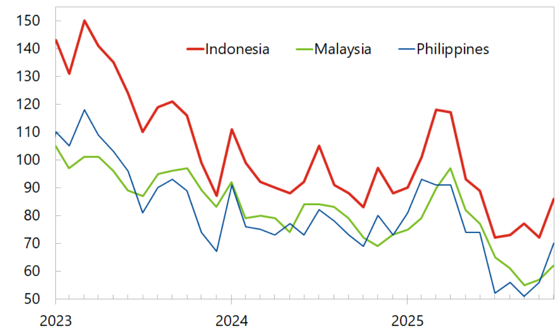
Domestic Government Bond Yields
(In percent)



Source: Bloomberg L.P.

…with an overall decline in volatility in the sovereign premium.

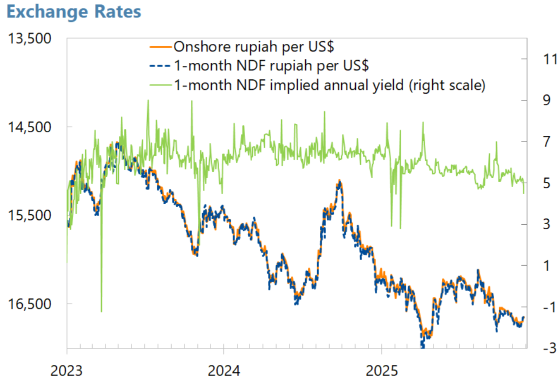
Selected ASEAN Economies: EMBIG Spreads
(In basis points, end of period)



Source: Bloomberg L.P.

The exchange rate depreciated since fall 2024 but has regained some ground since April 2025.

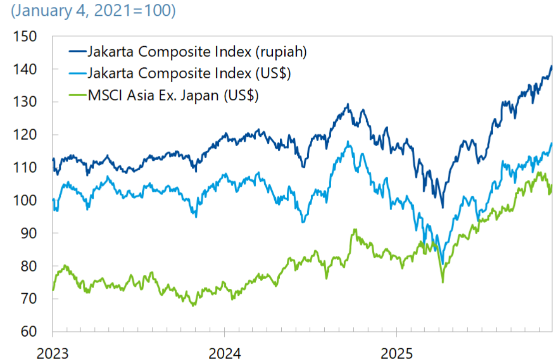
Exchange Rates



Source: Bloomberg L.P.

Stock prices fell starting in late 2024 but have recovered since April 2025.

Equity Market Indices
(January 4, 2021=100)

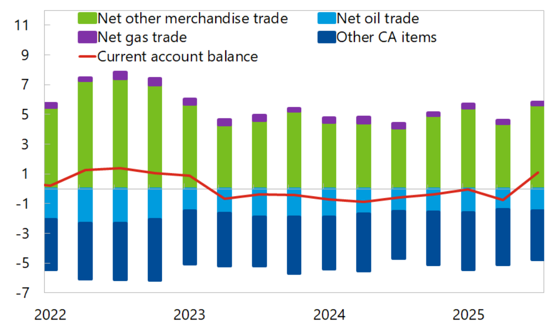


Sources: Bloomberg L.P.; and IMF staff estimates.

Figure 4. Indonesia: External Sector

The current account recorded a small deficit in 2024 and is projected to remain broadly flat in 2025.

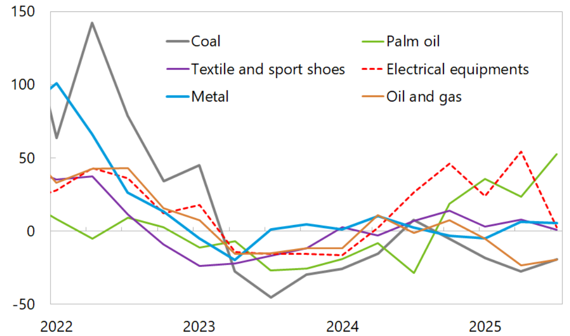
Current Account Balance
(In percent of GDP)



Sources: Bank Indonesia via CEIC Data Co. Ltd.; and IMF staff estimates.

Except for palm oil, most commodity exports faced some headwinds from softer prices.

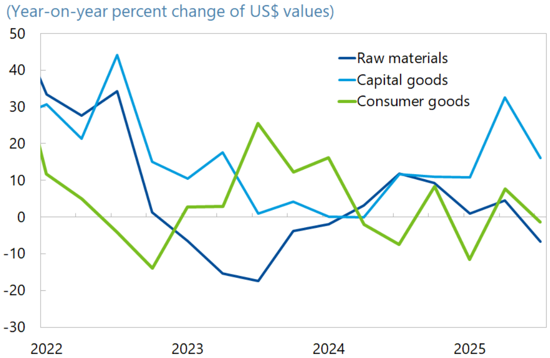
Main Commodities Export Growth
(US$ values, year-on-year percent change)



Sources: Haver Analytics; and IMF staff estimates.

Import growth has moderated in 2025, with the exception of capital goods.

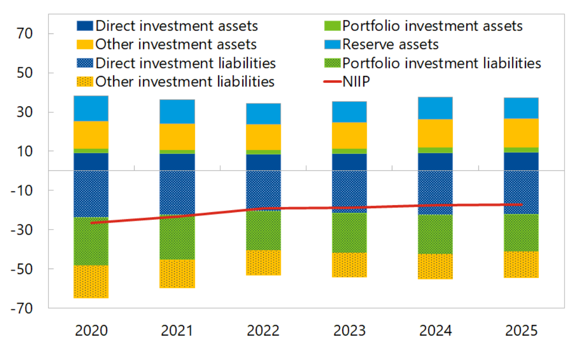
Imports of Goods
(Year-on-year percent change of US$ values)



Sources: CEIC Data Co. Ltd; and IMF staff calculations.

The NIIP increased slightly in 2024, with the increase in assets partly offset by higher direct investment liabilities.

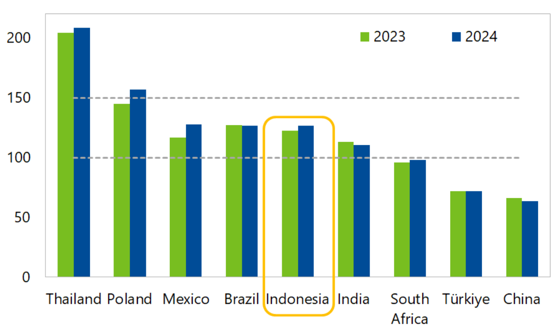
Net International Investment Position
(In percent of GDP)



Sources: CEIC Data Co. Ltd.; and IMF staff estimates.

Indonesia's foreign reserves increased in 2024 (US$155.7 billion), remaining adequate.

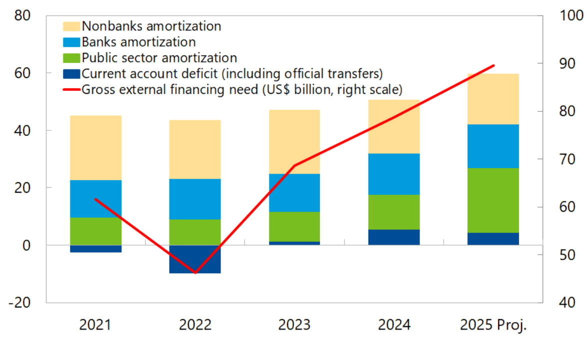
Gross International Reserves
(In percent of the IMF's Reserve Adequacy Metric)



Source: IMF, Assessing Reserve Adequacy December 2025.

External financing needs are projected to increase in 2025 mainly due to stronger public debt amortization.

Gross External Financing Needs
(In percent of stock of reserves at end of year, unless otherwise indicated)

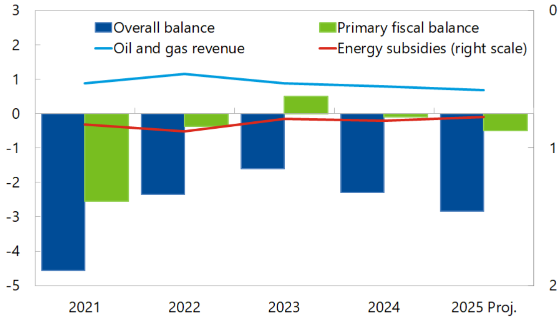


Source: IMF staff estimates.

Figure 5. Indonesia: Fiscal Sector

The primary balance is expected to deteriorate in 2025.

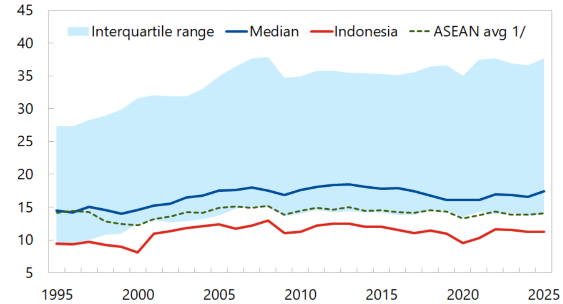
Central Government Indicators
(In percent of GDP)



Sources: Indonesian authorities; and IMF staff estimates and projections.

Indonesia's tax-to-GDP ratio still lags behind EM peers.

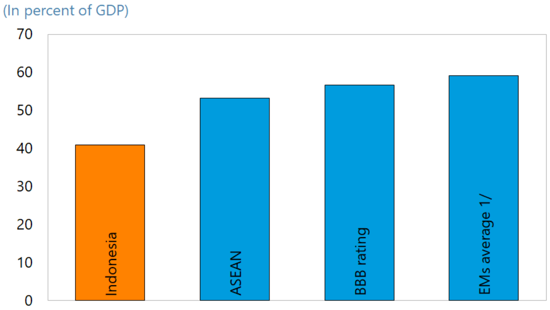
Emerging Markets: Tax Revenue
(In percent of GDP)



Sources: IMF, World Economic Outlook; and IMF staff estimates.
1/ Indonesia, Philippines, Thailand, and Vietnam.

Public debt-to-GDP ratio is lower than peers …

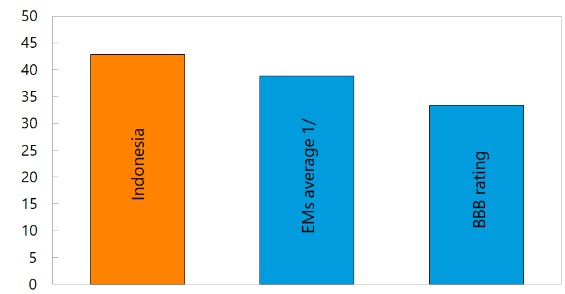
General Government Gross Debt, 2025
(In percent of GDP)



Source: IMF, World Economic Outlook.
1/ Includes: Indonesia, Türkiye, South Africa, Argentina, Brazil, Chile, Colombia, Mexico, Peru, Bangladesh, Sri Lanka, India, Malaysia, Pakistan, Philippines, Thailand, Vietnam, Russia, China, Hungary, Poland, and Romania.

… but the debt service to revenue ratio is higher.

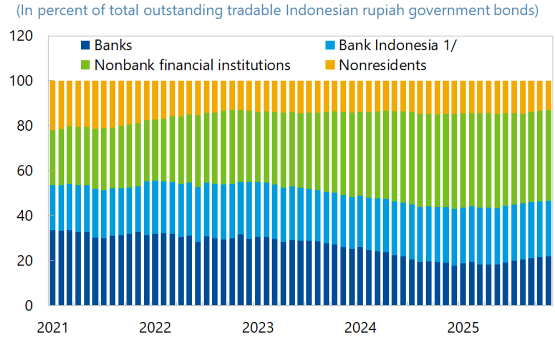
General Government Debt Service Ratio, 2025
(In percent of total revenue)



Sources: IMF, World Economic Outlook; and IMF staff estimates.
1/ Includes: Indonesia, Türkiye, South Africa, Argentina, Brazil, Chile, Colombia, Mexico, Peru, Bangladesh, Sri Lanka, India, Malaysia, Pakistan, Philippines, Thailand, Vietnam, Russia, China, Hungary, Poland, and Romania.

The share of non-resident holdings of rupiah government securities has stabilized at a lower level compared to pre-pandemic, while non-bank FIs' share has picked up.

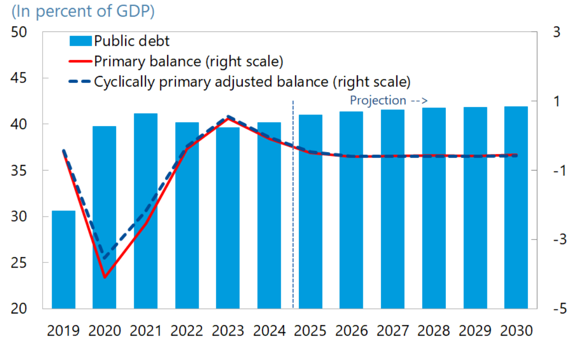
Ownership Share of Indonesian Rupiah Government Bonds 1/
(In percent of total outstanding tradable Indonesian rupiah government bonds)



Sources: Indonesian authorities via Haver Analytics; and IMF staff estimates.
1/ Including government bonds held by Bank Indonesia for monetary operations.

General government debt as share of GDP is expected to stabilize gradually over the medium term.

Public Debt, Primary, and Cyclically Adjusted Balance
(In percent of GDP)

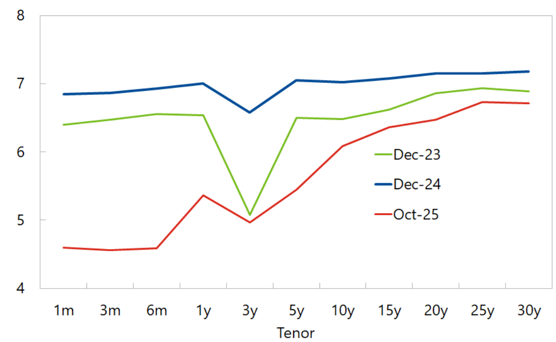


Sources: Indonesian authorities; and IMF staff estimates and projections.

Figure 6. Indonesia: Monetary Sector

The yield curve has steepened over the course of 2025 with falling short-end yields amid monetary policy loosening.

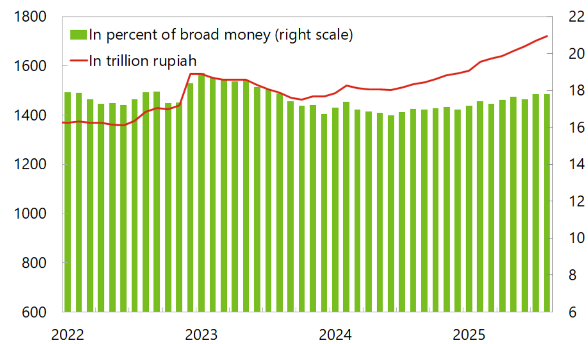
Government Bond Yield Curve
(In percent)



Source: Haver Analytics.

BI has increased secondary market purchases of government bonds in 2025 to enhance liquidity conditions, which also replaced the maturing tranche of pandemic-era bonds.

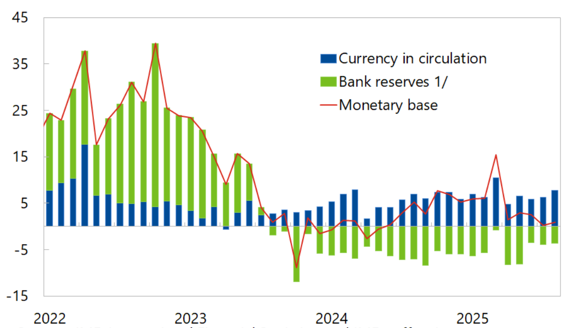
Ownership of Government Bonds by Bank Indonesia



Sources: IMF, International Financial Statistics; Haver Analytics; and IMF staff estimates.

Monetary base growth has been muted in 2025.

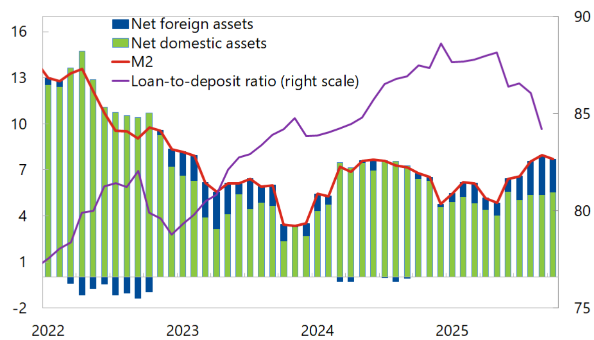
Monetary Base Growth
(In percent year-on-year contribution to growth)



Sources: IMF, International Financial Statistics; and IMF staff estimates.
1/ Includes commercial banks' foreign currency demand deposits at BI.

Broad money growth moderated through the year, but has recently started to recover.

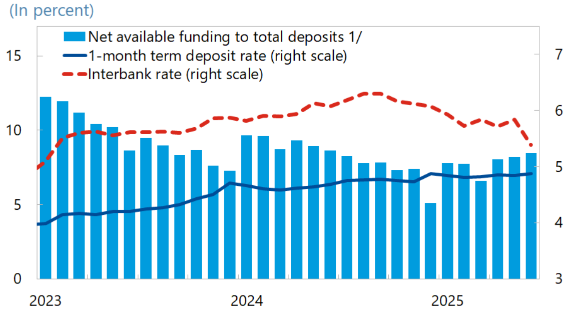
Broad Money Growth
(Contribution to growth, year-on-year)



Sources: CEIC Data Co. Ltd; and IMF staff estimates.

Banking system liquidity remains ample.

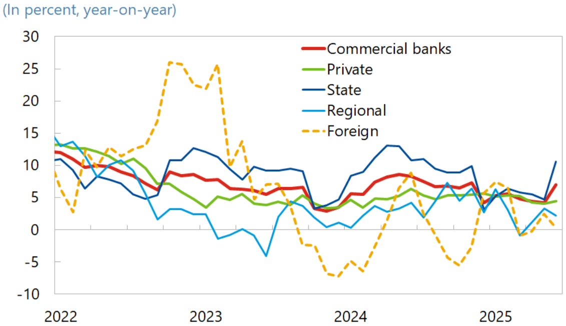
Funding Pressure in the Banking System
(In percent)



Sources: Bank Indonesia; and IMF staff estimates.
1/ Net available funding is defined as third-party funding less third-party credit and statutory reserves.

Deposit growth slowed across the banking system, though picked up in end 2025.

Third Party Funds Growth 1/
(In percent, year-on-year)



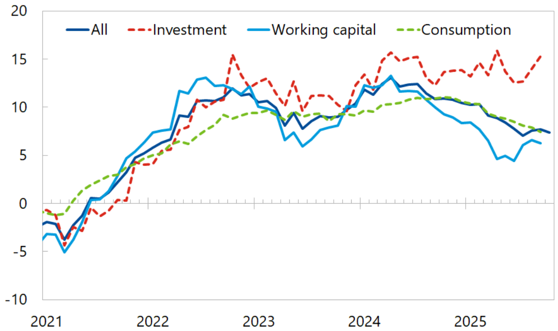
Sources: Otoritas Jasa Keuangan via CEIC Data Co. Ltd.; and IMF staff estimates.
1/ Savings and deposits.

Figure 7. Indonesia: Macrofinancial Developments

Credit growth has declined since 2024…

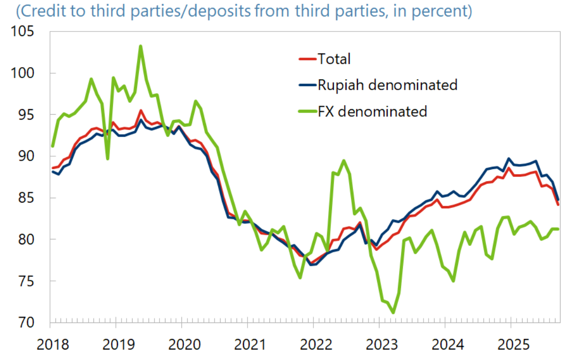
… commercial banks' loan-to-deposit ratios have increased since then, but edged down lately.

Commercial Banks Loan Growth by Type
(In percent, year-on-year)



Sources: Indonesia Financial Service Authority; and IMF staff estimates.

Commercial Banks Loan to Deposit Ratios
(Credit to third parties/deposits from third parties, in percent)

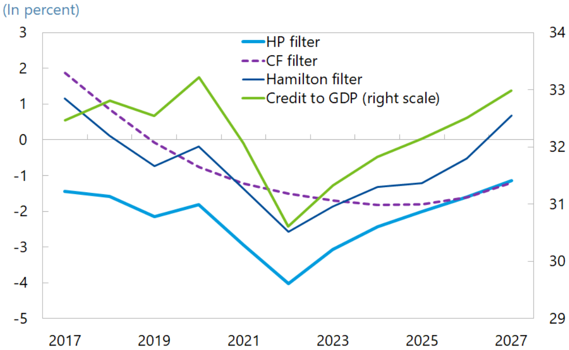


Sources: CEIC Data Co., Ltd.; and IMF staff estimates.

A small, negative credit gap persists but is gradually narrowing.

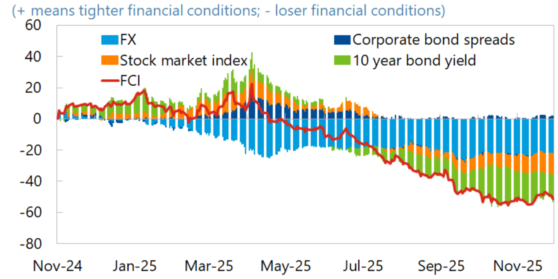
Financial conditions have been easing since 2025: Q1, amid a broad-based shift towards favorable conditions.

Credit Gap Estimates
(In percent)



Source: IMF staff calculations

Financial Condition Index
(+ means tighter financial conditions; - loser financial conditions)

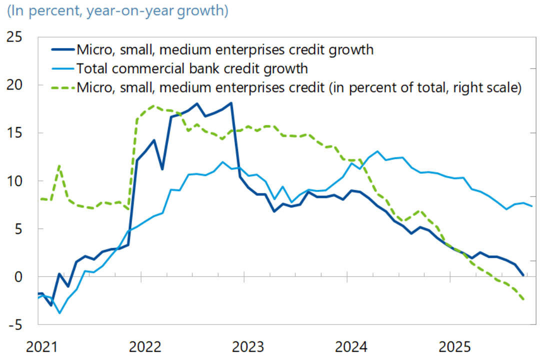


Sources: Bloomberg L.P. and IMF staff calculations.
Note: A domestic currency appreciation (NEER), an increase in 10-year yields and spreads and lower equity prices contribute to tighter financial conditions. The Financial Condition Index (FCI) captures the cumulative change in financial variables normalized by the standard deviation of daily changes.

Credit growth to MSMEs has declined since 2024.

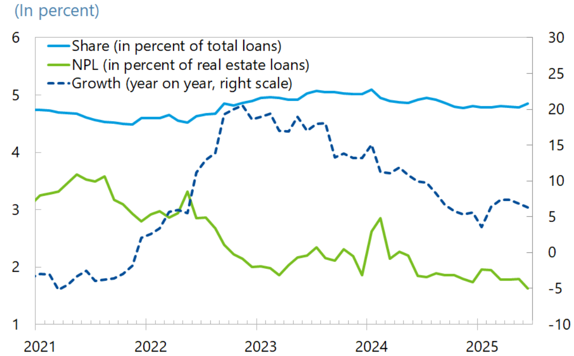
Real estate loan growth receded since 2023, though the non-performing loans ratio stabilized.

Credit to Micro, Small, and Medium Enterprises
(In percent, year-on-year growth)



Sources: CEIC Data Co. Ltd.; and IMF staff estimates.

Real Estate Loans
(In percent)

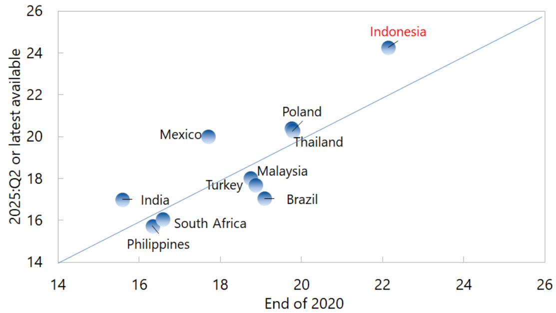


Sources: CEIC Data Co., Ltd.; and IMF staff estimates.

Figure 8. Indonesia: Selected Emerging Market Economies: Financial Soundness Indicators

Indonesia's banking system capital remains adequate and above peers.

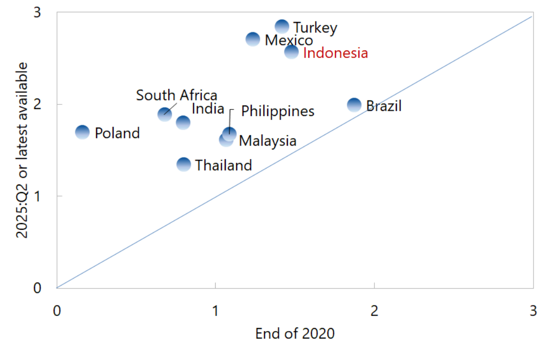
Regulatory Capital to Risk Weighted Assets 1/
(In percent)



Source: IMF, Financial Soundness Indicators.
1/ Includes capital impact of the transition to IFRS9 in January 2020.

Profitability remains at a high level in comparison to peers reflecting large interest margins.

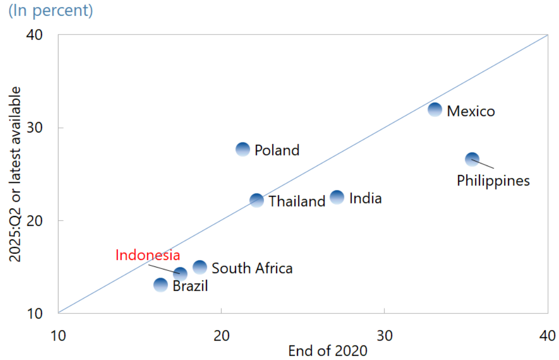
Return on Assets
(In percent)



Source: IMF, Financial Soundness Indicators.

System-wide bank liquidity is adequate.

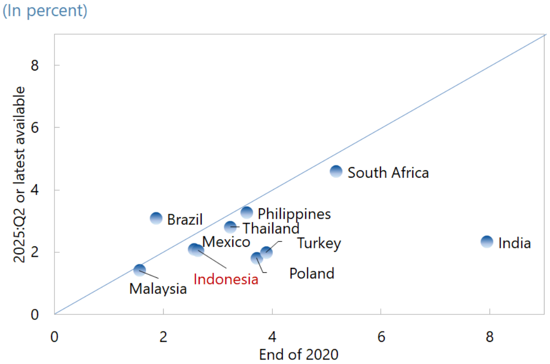
Liquid Assets to Total Assets
(In percent)



Source: IMF, Financial Soundness Indicators.

Nonperforming loans have returned to pre-pandemic levels, partly due to regulatory forbearance measures.

Non-Performing Loans to Total Loans
(In percent)



Source: IMF, Financial Soundness Indicators.

Table 1. Indonesia: Selected Economic Indicators, 2023–28

Nominal GDP (2024): Rp 22,139 trillion or US$1,396 billion
Population (2025): 284 million
Main exports (percent of total, 2024): base metal (18), coal (14), palm oil (8), oil and gas (8), textile and products (4)
GDP per capita (2024): US$4,909
Unemployment rate (2025): 4.9 percent
Poverty headcount ratio at national poverty line (2024): 9.0 percent of population

	2023	2024	2025 Proj.	2026 Proj.	2027 Proj.	2028 Proj.
Real GDP (percent change)	**5.0**	**5.0**	**5.0**	**5.1**	**5.1**	**5.2**
Domestic demand	4.9	6.0	5.0	5.3	5.2	5.2
Of which:						
Private consumption 1/	4.9	5.1	5.1	5.1	5.1	5.1
Government consumption	3.0	6.6	9.0	7.5	5.4	5.0
Gross fixed investment	3.8	4.6	4.6	5.3	5.5	5.6
Change in stocks 2/	0.5	1.0	-0.1	0.0	0.0	0.0
Net exports 2/	0.7	0.0	0.3	0.1	0.2	0.3
Statistical discrepancy 2/	-0.2	-0.6	0.0	0.0	0.0	0.0
Output gap (in percent)	**-0.4**	**-0.3**	**-0.1**	**-0.1**	**0.0**	**0.1**
Saving and investment (in percent of GDP)						
Gross investment 3/	30.3	31.4	31.1	31.0	31.0	31.1
Gross national saving	30.2	30.8	30.6	30.0	30.2	30.3
Prices (12-month percent change)						
Consumer prices (end period)	2.8	1.6	2.8	2.6	2.5	2.5
Consumer prices (period average)	3.7	2.3	1.9	3.0	2.5	2.5
Public finances (in percent of GDP)						
General government revenue	15.0	14.5	13.7	13.7	13.8	13.9
General government expenditure	16.6	16.8	16.5	16.5	16.6	16.7
Of which : Energy subsidies	0.8	0.8	0.8	0.8	0.7	0.7
General government balance	-1.6	-2.3	-2.8	-2.9	-2.8	-2.8
Primary balance	0.5	-0.1	-0.5	-0.6	-0.6	-0.6
General government debt 4/	39.6	40.2	41.0	41.3	41.6	41.7
Money and credit (12-month percent change; end of period)						
Rupiah M2	3.5	4.8	8.3	8.6	8.0	8.1
Base money 5/	-1.5	5.3	7.4	7.6	7.2	7.1
Claims on private sector	9.2	7.7	8.1	9.5	9.3	9.3
One-month interbank rate (period average)	6.4	6.7	…	…	…	…
Balance of payments (in billions of U.S. dollars, unless otherwise indicated)						
Current account balance	-2.0	-8.7	-6.8	-15.4	-14.6	-14.8
In percent of GDP	-0.1	-0.6	-0.5	-1.0	-0.9	-0.8
Trade balance	46.3	39.8	44.7	38.2	42.6	44.9
Of which : Oil and gas (net)	-19.9	-19.6	-18.1	-17.2	-18.0	-19.7
Inward direct investment	21.5	24.8	18.5	22.6	27.0	31.8
Overall balance	6.3	7.2	-5.3	7.4	10.7	20.0
Terms of trade, percent change (excluding oil)	-12.7	1.0	-0.3	1.4	0.4	-0.1
Gross reserves						
In billions of U.S. dollars (end period)	146.4	155.7	150.4	157.9	168.6	188.6
In months of prospective imports of goods and services	6.3	6.4	5.7	5.5	5.5	5.7
As a percent of short-term debt 6/	209	188	197	193	196	202
Total external debt 7/						
In billions of U.S. dollars	408.5	426.1	429.3	455.4	478.4	511.1
In percent of GDP	29.8	30.5	29.9	29.7	29.0	28.7
Exchange rate						
Rupiah per U.S. dollar (period average)	15,237	15,855	…	…	…	…
Rupiah per U.S. dollar (end of period)	15,399	16,132	…	…	…	…
Memorandum items:						
Jakarta Stock Exchange (12-month percentage change, composite index)	6.2	-2.7	…	…	…	…
Oil production (thousands of barrels per day)	797	794	791	788	785	782
Nominal GDP (in trillions of rupiah)	20,892	22,139	23,696	25,647	27,625	29,780

Sources: Data provided by the Indonesian authorities; Bloomberg L.P.; and IMF staff estimates and projections.

1/ Includes NPISH consumption.
2/ Contribution to GDP growth (percentage points).
3/ Includes changes in stocks.
4/ General government debt (also in Tables 4, 6, 7) is sourced from BI SUSPI.
5/ Includes commercial banks' foreign currency demand deposits at BI.
6/ Short-term debt on a remaining maturity basis.
7/ Public and private external debt.

Table 2. Indonesia: Selected Vulnerability Indicators, 2021–25

	2021	2022	2023	2024	2025	Data as of
Key economic and market indicators						
Real GDP growth (in percent)	3.7	5.3	5.0	5.0	5.0	Proj.
CPI inflation (in percent, e.o.p)	1.9	5.4	2.8	1.6	2.8	Proj.
Short-term (ST) interest rate (in percent, e.o.p.) 1/	3.6	6.2	6.6	6.6	5.0	Nov.
Ten-year government bond yield (in percent, e.o.p.)	6.4	6.9	6.5	7.0	6.2	Nov.
Indonesia EMBI spread (basis points (bps), e.o.p.)	161	133	87	88	75	Nov.19
Exchange rate (rupiah per U.S. dollar, e.o.p.)	14,253	15,573	15,399	16,132	16,736	Nov.20
External sector						
Current account balance (in percent of GDP)	0.3	1.0	-0.1	-0.6	-0.5	Proj.
Net FDI inflows (in percent of GDP)	1.5	1.4	1.1	1.1	0.6	Proj.
Exports of goods and nonfactor services (GNFS) (percentage change, in US$ terms)	38.3	27.9	-7.7	3.7	4.7	Proj.
Real effective exchange rate (average; 2010=100)	71.2	73.8	73.7	72.3	...	
Gross international reserves (in US$ billion)	144.9	137.2	146.4	155.7	150.4	Proj.
In percent of ST debt at remaining maturity (RM)	243.8	205.9	209.3	188.3	196.9	Proj.
Total gross external debt (in percent of exports of GNFS)	167.7	125.6	140.2	141.1	135.7	Proj.
Gross external financing requirement (in US$ billion) 2/	55.9	53.4	71.8	86.5	100.5	Proj.
Public sector (PS) 3/						
Overall balance (in percent of GDP)	-4.6	-2.4	-1.6	-2.3	-2.8	Proj.
Primary balance (in percent of GDP)	-2.5	-0.4	0.5	-0.1	-0.5	Proj.
Gross PS financing requirement (in percent of GDP) 4/	6.4	4.6	4.6	5.5	6.5	Proj.
Public sector gross debt (PSGD) (in percent of GDP)	41.1	40.1	39.6	40.2	41.0	Proj.
Exposed to exchange rate risk (in percent of total PSGD) 5/	29.7	29.3	28.4	28.5	29.2	Proj.
Exposed to interest rate risk (in percent of total PSGD) 6/	5.8	4.9	4.4	3.9	3.4	Proj.
Financial sector (FS)						
Capital to risk-weighted assets, commercial banks (in percent) 7/	25.7	25.7	27.7	26.7	25.8	June
Nonperforming loans, commercial banks (in percent of total loans)	3.0	2.4	2.2	2.1	2.3	Aug.
Foreign currency deposits at commercial banks (in percent of total deposits)	13.9	15.3	15.5	15.6	15.9	June
Foreign currency loans at commercial banks (in percent of total loans)	14.1	14.8	14.5	15.0	15.1	June
Government debt held by financial system (percent of total financial system assets)	16.5	15.3	14.6	12.6	10.3	Sep.
Claims on private sector (annual percentage change)	6.1	10.1	9.2	7.7	8.1	Proj.

Sources: Data provided by the Indonesian authorities; and IMF staff estimates and projections.

1/ One-month Jakarta Interbank offered rate.

2/ Defined as current account deficit, plus amortization on medium- and long-term debt and short-term debt at end of previous period.

3/ Public sector refers to general government.

4/ Overall balance plus debt amortization.

5/ Debt in foreign currency or linked to the exchange rate.

6/ Government securities at variable interest rates.

7/ Includes capital charge for operational risk.

Table 3. Indonesia: Balance of Payments, 2023–28

(In percent of GDP)

	2023	2024	2025 Proj.	2026 Proj.	2027 Proj.	2028 Proj.
Current account	**-0.1**	**-0.6**	**-0.5**	**-1.0**	**-0.9**	**-0.8**
Goods, net (trade balance)	3.4	2.9	3.1	2.5	2.6	2.5
Exports, f.o.b.	18.8	18.8	19.2	18.7	19.0	19.1
Top 5	*5.7*	*5.2*	*4.7*	*4.5*	*4.5*	*4.3*
Oil and gas	1.1	1.1	0.8	0.8	0.7	0.7
Non-oil and gas	17.6	17.7	18.2	17.9	18.2	18.3
Agriculture	0.4	0.5	0.4	0.4	0.4	0.4
Manufacturing	13.4	13.8	15.2	15.1	15.4	15.6
Palm oil	1.7	1.5	1.9	1.9	2.0	2.0
Rubber products	0.3	0.4	0.4	0.3	0.3	0.3
Other manufacturing	11.3	11.9	12.9	12.8	13.1	13.4
Mining	3.2	2.9	2.1	1.9	2.0	1.9
Other exports	0.1	0.1	0.1	0.1	0.1	0.1
Imports, f.o.b.	-15.4	-16.0	-16.0	-16.2	-16.4	-16.5
Oil and gas	-2.5	-2.5	-2.1	-1.9	-1.8	-1.8
Non-oil and gas	-12.9	-13.5	-13.9	-14.3	-14.6	-14.8
Consumption	-1.5	-1.6	-1.5	-1.5	-1.5	-1.5
Raw materials	-8.3	-8.6	-8.8	-9.1	-9.3	-9.4
Capital goods	-2.9	-3.0	-3.5	-3.5	-3.6	-3.7
Other	-0.2	-0.3	-0.2	-0.2	-0.2	-0.2
Services, net	-1.3	-1.3	-1.3	-1.3	-1.4	-1.4
Services exports	2.5	2.8	2.8	3.0	3.0	3.0
Services imports	-3.7	-4.1	-4.2	-4.3	-4.4	-4.3
Primary income, net	-2.6	-2.6	-2.7	-2.6	-2.4	-2.3
Secondary income, net	0.4	0.4	0.4	0.4	0.4	0.3
Capital and financial account	**0.7**	**1.0**	**0.1**	**1.5**	**1.5**	**2.0**
Capital account	0.0	0.0	0.0	0.0	0.0	0.0
Financial account	0.7	1.0	0.1	1.5	1.5	1.9
Direct investment, net	1.1	1.1	0.6	0.7	0.9	1.0
Abroad, net	-0.5	-0.6	-0.7	-0.8	-0.8	-0.8
In Indonesia (FDI), net	1.6	1.8	1.3	1.5	1.6	1.8
Portfolio investment, net	0.2	0.6	-0.6	0.5	0.6	0.9
Equity, net	-0.1	-0.2	-0.4	-0.1	-0.1	-0.1
Portfolio debt, net	0.3	0.8	-0.2	0.7	0.7	1.0
Other investment, net	-0.5	-0.7	0.1	0.2	0.0	0.0
Assets, net	-0.8	-1.1	-0.9	-0.9	-0.9	-0.8
Liabilities, net	0.3	0.4	1.0	1.1	0.9	0.8
Errors and omissions	**-0.1**	**-0.1**	**0.0**	**0.0**	**0.0**	**0.0**
Overall balance	**0.5**	**0.3**	**-0.4**	**0.5**	**0.7**	**1.1**
Reserves and related items (- =increase)	**-0.7**	**-0.7**	**0.4**	**-0.5**	**-0.7**	**-1.1**
of which: valuation adjustment	-0.2	-0.4	0.0	0.0	0.0	0.0
Memorandum items:						
Reserves assets (US$ billions)	146	156	150	158	169	189
Reserve assets (in percent of ARA)	123	126	116	120	122	131
Reserve assets (in percent of GDP)	10.7	11.2	10.5	10.3	10.2	10.6
Nominal GDP (in billions of U.S. dollars)	1,371	1,396	1,438	1,532	1,647	1,778

Sources: Data provided by Bank Indonesia; and IMF staff estimates.

Table 4. Indonesia: Medium-Term Macroeconomic Framework, 2023–31

	2023	2024	2025 Proj.	2026 Proj.	2027 Proj.	2028 Proj.	2029 Proj.	2030 Proj.	2031 Proj.
Real GDP (percent change)	**5.0**	**5.0**	**5.0**	**5.1**	**5.1**	**5.2**	**5.2**	**5.2**	**5.2**
Domestic demand	4.9	6.0	5.0	5.3	5.2	5.2	5.2	5.2	5.3
Of which:									
Private consumption 1/	4.9	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1
Government Consumption	3.0	6.6	9.0	7.5	5.4	5.0	5.0	5.0	5.0
Gross fixed investment	3.8	4.6	4.6	5.3	5.5	5.6	5.8	5.8	5.8
Net exports 2/	0.7	0.0	0.3	0.1	0.2	0.3	0.2	0.2	0.3
Statistical discrepancy 2/	-0.2	-0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Output gap (in percent)	**-0.4**	**-0.3**	**-0.1**	**-0.1**	**0.0**	**0.1**	**0.1**	**0.1**	**0.1**
Saving and investment (in percent of GDP)									
Gross investment 3/	30.3	31.4	31.1	31.0	31.0	31.1	31.2	31.3	31.3
Gross national saving	30.2	30.8	30.6	30.0	30.2	30.3	30.3	30.5	30.5
Prices (12-month percent change)									
Consumer prices (end period)	2.8	1.6	2.8	2.6	2.5	2.5	2.5	2.5	2.5
Consumer prices (period average)	3.7	2.3	1.9	3.0	2.5	2.5	2.5	2.5	2.5
Public finances (percent of GDP)									
General government revenue	15.0	14.5	13.7	13.7	13.8	13.9	14.1	14.2	14.3
General government expenditure	16.6	16.8	16.5	16.5	16.6	16.7	16.9	17.0	17.1
General government balance	-1.6	-2.3	-2.8	-2.9	-2.8	-2.8	-2.8	-2.8	-2.8
General government primary balance	0.5	-0.1	-0.5	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6
General government debt	39.6	40.2	41.0	41.3	41.6	41.7	41.8	41.9	41.9
Balance of payments (billions of U.S. dollars)									
Current account balance	-2.0	-8.7	-6.8	-15.4	-14.6	-14.8	-16.0	-16.4	-17.7
In percent of GDP	-0.1	-0.6	-0.5	-1.0	-0.9	-0.8	-0.8	-0.8	-0.8
Trade balance	46.3	39.8	44.7	38.2	42.6	44.9	48.1	52.7	58.8
In percent of GDP	3.4	2.9	3.1	2.5	2.6	2.5	2.5	2.5	2.6
Oil and gas	-19.9	-19.6	-18.1	-17.2	-18.0	-19.7	-21.6	-23.4	-25.0
Overall balance	6.3	7.2	-5.3	7.4	10.7	20.0	25.2	27.2	28.8
Gross reserves									
In billions of U.S. dollars (end period)	146.4	155.7	150.4	157.9	168.6	188.6	213.8	241.0	269.8
In months of prospective imports	6.3	6.4	5.7	5.5	5.5	5.7	5.9	6.2	6.4
As a percent of short-term debt 4/	209.3	188.3	196.9	193.4	196.3	202.1	206.9	211.0	214.1
Total external debt									
In billions of U.S. dollars	408.5	426.1	429.3	455.4	478.4	511.1	552.8	598.7	649.4
In percent of GDP	29.8	30.5	29.9	29.7	29.0	28.7	28.8	29.0	29.1
Credit									
Private sector credit growth (percent)	9.2	7.7	8.1	9.5	9.3	9.3	9.3	9.3	9.3
Credit-to-GDP gap (percent) 5/	-1.7	-1.1	-1.0	-0.5	0.6	0.0	0.0	0.0	0.0
Memorandum items:									
Oil production (thousands of barrels per day)	797	794	791	788	785	782	779	776	773
Indonesian oil price (period average, in U.S. dollars per barrel)	76.9	74.6	63.9	58.9	58.9	60.0	61.3	62.2	62.8
Nominal GDP (trillions of rupiah)	20,892	22,139	23,696	25,647	27,625	29,780	32,109	34,633	37,358
Nominal GDP (billions of U.S. dollars)	1,371	1,396	...	...	...	...	...	...	...

Sources: Data provided by the Indonesian authorities; and IMF staff estimates and projections.

1/ Includes NPISH consumption.
2/ Contribution to GDP growth.
3/ Includes changes in stock.
4/ Short-term debt on a remaining maturity basis.
5/ Follows the guidance of the Basel Committee on Banking Supervision.

Table 5. Indonesia: Summary of Central Government Operations, 2023–28

(In trillions of rupiah)

	2023	2024	2025 Proj.	2026 Proj.	2027 Proj.	2028 Proj.
Revenues and grants	**2,784**	**2,851**	**2,839**	**3,073**	**3,339**	**3,640**
Of which: tax revenues	2,154	2,232	2,370	2,598	2,841	3,108
Oil and gas revenues	185	176	162	187	210	241
Tax revenues	69	65	51	79	101	123
Nontax revenues	116	111	110	108	110	117
Non-oil and gas revenues	2,582	2,640	2,677	2,885	3,128	3,397
Tax revenues	2,085	2,167	2,319	2,519	2,740	2,985
Income tax	992	997	991	1,068	1,162	1,265
VAT	764	828	874	956	1,041	1,136
Other	329	341	455	495	538	583
Nontax revenues	496	474	358	366	388	413
Grants	17	34	1	1	1	1
Expenditure and net lending	**3,120**	**3,360**	**3,513**	**3,811**	**4,124**	**4,483**
Current expenditure	1,780	1,985	2,118	2,676	2,882	3,129
Personnel	413	465	520	581	647	714
Material goods	433	523	479	707	791	868
Subsidies	270	293	288	319	311	323
Of which : energy subsidies	164	178	184	210	194	197
Fuel	96	102	95	105	84	86
Electricity	69	76	89	105	110	111
Interest	440	488	557	581	621	672
Other current expenditure	225	216	273	489	512	551
Development expenditure	460	510	530	442	486	538
Capital spending	303	356	344	274	305	344
Social assistance spending 1/	157	155	186	167	180	194
Transfers to local governments	880	864	864	693	756	815
Overall balance	**-336**	**-509**	**-673**	**-737**	**-785**	**-844**
Overall balance with measures in 2015						
Measures						
Financing	336	509	673	737	785	844
Net issuance of government securities	308	451	599	709	740	801
Program and project loans (net)	96	107	127	171	144	142
SOE recapitalization and land acquisition	-90	-59	-140	-203	-100	-100
Other 2/	22	10	87	61	0	0

Sources: Data provided by the Indonesian authorities; and IMF staff estimates and projections.

1/ Some social assistance spending was reclassified to other expenditure in 2016.

2/ Includes financing surplus/deficit.

Table 6. Indonesia: Summary of Central Government Operations, 2023–28

(In percent of GDP, unless otherwise indicated)

	2023	2024	2025 Proj.	2026 Proj.	2027 Proj.	2028 Proj.
Revenues and grants	**13.3**	**12.9**	**12.0**	**12.0**	**12.1**	**12.2**
Of which: tax revenues	10.3	10.1	10.0	10.1	10.3	10.4
Oil and gas revenues	0.9	0.8	0.7	0.7	0.8	0.8
Tax revenues	0.3	0.3	0.2	0.3	0.4	0.4
Nontax revenues	0.6	0.5	0.5	0.4	0.4	0.4
Non-oil and gas revenues	12.4	11.9	11.3	11.3	11.3	11.4
Tax revenues	10.0	9.8	9.8	9.8	9.9	10.0
Income tax	4.8	4.5	4.2	4.2	4.2	4.2
VAT	3.7	3.7	3.7	3.7	3.8	3.8
Other	1.6	1.5	1.9	1.9	1.9	2.0
Nontax revenues	2.4	2.1	1.5	1.4	1.4	1.4
Grants	0.1	0.2	0.0	0.0	0.0	0.0
Expenditure and net lending	**14.9**	**15.2**	**14.8**	**14.9**	**14.9**	**15.1**
Current expenditure	8.5	9.0	8.9	10.4	10.4	10.5
Personnel	2.0	2.1	2.2	2.3	2.3	2.4
Material goods	2.1	2.4	2.0	2.8	2.9	2.9
Subsidies	1.3	1.3	1.2	1.2	1.1	1.1
Of which : energy subsidies	0.8	0.8	0.8	0.8	0.7	0.7
Fuel	0.5	0.5	0.4	0.4	0.3	0.3
Electricity	0.3	0.3	0.4	0.4	0.4	0.4
Interest	2.1	2.2	2.4	2.3	2.2	2.3
Other current expenditure	1.1	1.0	1.2	1.9	1.9	1.9
Development expenditure	2.2	2.3	2.2	1.7	1.8	1.8
Capital spending	1.5	1.6	1.5	1.1	1.1	1.2
Social assistance spending 1/	0.7	0.7	0.8	0.7	0.7	0.7
Transfers to local governments	4.2	3.9	3.6	2.7	2.7	2.7
Overall balance	**-1.6**	**-2.3**	**-2.8**	**-2.9**	**-2.8**	**-2.8**
Memorandum items:						
Net issuance of government securities	1.5	2.0	2.5	2.8	2.7	2.7
SOE recapitalization and land acquisition	0.4	0.3	0.6	0.8	0.4	0.3
Primary balance (percent of GDP)	0.5	-0.1	-0.5	-0.6	-0.6	-0.6
Cyclically-adjusted primary balance (percent of GDP)	0.6	0.0	-0.5	-0.6	-0.6	-0.6
General government debt (percent of GDP)	39.6	40.2	41.0	41.3	41.6	41.7
Indonesian crude oil price (US$ per barrel)	76.9	74.6	63.9	58.9	58.9	60.0
Oil production (thousands of barrels per day)	797	794	791	788	785	782
Nominal GDP (in trillions of rupiah)	20,892	22,139	23,696	25,647	27,625	29,780

Sources: Data provided by the Indonesian authorities; and IMF staff estimates and projections.

1/ Some social assistance spending was reclassified to other expenditure in 2016.

Table 7. Indonesia: Summary of General Government Operations, 2023–28

	2023	2024 Est.	2025 Proj.	2026 Proj.	2027 Proj.	2028 Proj.
			(In trillions of rupiah)			
Total revenue and grants	**3,133**	**3,220**	**3,235**	**3,502**	**3,801**	**4,137**
Taxes	2,405	2,497	2,654	2,905	3,172	3,465
Taxes on income, profits, and capital gains	1,061	1,062	1,042	1,147	1,262	1,388
Taxes on goods and services	985	1,055	1,109	1,213	1,320	1,440
VAT and luxury taxes	764	828	874	956	1,041	1,136
Excise	222	226	235	257	279	304
Taxes on international trade and transactions	64	74	81	88	96	104
Taxes not elsewhere classified	294	307	424	458	494	532
Grants	17	34	1	1	1	1
Other revenue	711	689	580	595	627	671
Total expenditure	**3,476**	**3,729**	**3,908**	**4,239**	**4,585**	**4,980**
Expense	2,715	2,886	3,038	3,388	3,649	3,943
Of which :						
Compensation of employees	1,046	1,136	1,238	1,358	1,484	1,616
Purchases/use of goods and services	433	523	479	707	791	868
Interest	440	488	557	581	621	672
Energy subsidies	164	178	184	210	194	197
Social benefit	221	230	275	273	305	343
Net acquisition of nonfinancial assets	761	843	870	850	936	1,037
Net lending/borrowing	**-343**	**-509**	**-673**	**-737**	**-785**	**-843**
Net acquisition of financial assets	61	49	53	143	100	100
Of which : policy lending	2	0	0	0	0	0
Net incurrence of liabilities	404	558	726	880	885	943
			(In percent of GDP)			
Total revenue and grants	**15.0**	**14.5**	**13.7**	**13.7**	**13.8**	**13.9**
Taxes	11.5	11.3	11.2	11.3	11.5	11.6
Taxes on income, profits, and capital gains	5.1	4.8	4.4	4.5	4.6	4.7
Taxes on goods and services	4.7	4.8	4.7	4.7	4.8	4.8
VAT and luxury taxes	3.7	3.7	3.7	3.7	3.8	3.8
Excise	1.1	1.0	1.0	1.0	1.0	1.0
Taxes on international trade and transactions	0.3	0.3	0.3	0.3	0.3	0.3
Taxes not elsewhere classified	1.4	1.4	1.8	1.8	1.8	1.8
Grants	0.1	0.2	0.0	0.0	0.0	0.0
Other revenue	3.4	3.1	2.4	2.3	2.3	2.3
Total expenditure	**16.6**	**16.8**	**16.5**	**16.5**	**16.6**	**16.7**
Expense	13.0	13.0	12.8	13.2	13.2	13.2
Of which :						
Compensation of employees	5.0	5.1	5.2	5.3	5.4	5.4
Purchases/use of goods and services	2.1	2.4	2.0	2.8	2.9	2.9
Interest	2.1	2.2	2.4	2.3	2.2	2.3
Energy subsidies	0.8	0.8	0.8	0.8	0.7	0.7
Social benefit	1.1	1.0	1.2	1.1	1.1	1.2
Net acquisition of nonfinancial assets	3.6	3.8	3.7	3.3	3.4	3.5
Net lending/borrowing	**-1.6**	**-2.3**	**-2.8**	**-2.9**	**-2.8**	**-2.8**
Net acquisition of financial assets	0.3	0.2	0.2	0.6	0.4	0.3
Of which : policy lending	0.0	0.0	0.0	0.0	0.0	0.0
Net incurrence of liabilities	1.9	2.5	3.1	3.4	3.2	3.2
Memorandum items:						
General government debt (In percent of GDP)	39.6	40.2	41.0	41.3	41.6	41.7
Nominal GDP (In trillions of rupiah)	20,892	22,139	23,696	25,647	27,625	29,780

Sources: Data provided by the Indonesian authorities; and IMF staff estimates and projections.

Table 8. Indonesia: Monetary Survey, 2023–28

	2023	2024	2025 Proj.	2026 Proj.	2027 Proj.	2028 Proj.
			(In trillions of rupiah)			
Net foreign assets	**1,967.3**	**1,982.8**	**1,982.3**	**2,113.7**	**2,295.2**	**2,631.3**
Claims on nonresidents	2,658.5	2,994.9	2,994.4	3,125.8	3,307.3	3,643.4
Central bank	2,277.3	2,604.0	2,603.4	2,734.8	2,916.3	3,252.4
Other depository corporations	381.2	391.0	391.0	391.0	391.0	391.0
Liabilities to nonresidents	-691.2	-1,012.1	-1,012.1	-1,012.1	-1,012.1	-1,012.1
Central bank	-219.1	-526.0	-526.0	-526.0	-526.0	-526.0
Other depository corporations	-472.2	-486.1	-486.1	-486.1	-486.1	-486.1
Net domestic assets	**6,859.2**	**7,263.8**	**8,031.5**	**8,766.1**	**9,457.0**	**10,074.7**
Net claims on central government	2,217.5	2,173.8	1,835.0	1,741.8	1,741.8	1,741.8
of which: held by Bank Indonesia	1,012.5	1,077.9	1,403.5	1,127.2	1,094.4	1,061.7
Claims on state and local government	2.3	1.0	1.0	1.1	1.2	1.3
Claims on public nonfinancial corporations	425.4	451.4	483.2	522.9	563.3	607.2
Claims on NBFIs	551.2	700.1	749.4	811.1	873.6	941.8
Claims on private sector	6,545.8	7,046.9	7,616.6	8,337.2	9,111.3	9,957.6
Corporates	3,074.1	3,456.3	...	...	...	...
Households	3,471.7	3,590.7	...	...	...	...
Capital and Reserves (-)	2,310.2	2,505.9	2,691.8	2,903.0	3,118.0	3,372.2
Other items, net (-, including discrepancy)	572.8	603.6	-38.1	-255.0	-283.9	-197.2
Broad money	**8,826.5**	**9,246.6**	**10,013.8**	**10,879.7**	**11,752.2**	**12,706.0**
Currency in circulation	975.9	1,062.8	1,151.0	1,250.5	1,350.8	1,460.4
Transferable deposits	4,690.2	4,946.5	5,356.8	5,820.1	6,286.8	6,797.0
Other deposits	3,132.0	3,213.7	3,480.4	3,781.3	4,084.6	4,416.0
Securities	28.4	23.6	25.6	27.8	30.1	32.5
Other liabilities	**498.0**	**611.0**	**-38.1**	**-255.0**	**-283.9**	**-197.2**
			(Annual percentage change)			
Net foreign assets	**3.6**	**0.8**	**0.0**	**6.6**	**8.6**	**14.6**
Net domestic assets	**3.5**	**5.9**	**10.6**	**9.1**	**7.9**	**6.5**
Claims on private sector	9.2	7.7	8.1	9.5	9.3	9.3
Corporates	9.8	12.4	...	...	...	...
Households	8.6	3.4	...	...	...	...
Broad money	3.5	4.8	8.3	8.6	8.0	8.1
			(In percent of GDP, end of period)			
Net foreign assets	**9.4**	**9.0**	**8.4**	**8.2**	**8.3**	**8.8**
Net domestic assets	**32.8**	**32.8**	**33.9**	**34.2**	**34.2**	**33.8**
Claims on private sector	31.3	31.8	32.1	32.5	33.0	33.4
Corporates	14.7	15.6	...	...	...	...
Households	16.6	16.2	...	...	...	...
Broad money	**42.2**	**41.8**	**42.3**	**42.4**	**42.5**	**42.7**
Memorandum items:						
Base money (annual percentage change) 1/	-1.5	5.3	7.4	7.6	7.2	7.1
Velocity (nominal GDP/broad money)	2.4	2.4	2.4	2.4	2.4	2.3
Nominal GDP (in trillions of rupiah)	20,892	22,139	23,696	25,647	27,625	29,780

Sources: IMF, International Financial Statistics; and IMF staff estimates.

1/ Includes commercial banks' foreign currency demand deposits at BI.

Table 9. Indonesia: Financial Soundness Indicators, 2021–25

(In percent, unless otherwise indicated)

	2021	2022	2023	2024	2025	
					Latest observation	
Depository institutions						
Capital adequacy						
Regulatory capital to risk-weighted assets	24.0	24.1	25.8	25.1	24.3	Q2
Core Tier-1 capital to risk-weighted assets	22.4	22.6	24.2	23.6	22.9	Q2
Capital to assets	13.2	13.3	13.4	13.4	13.1	Q2
Large exposures to capital	167.7	159.4	195.1	182.7	203.2	Q2
Asset quality						
Nonperforming loans to total gross loans	2.6	2.1	2.0	1.9	2.1	Q2
Nonperforming loans, net of provisions to capital	3.6	2.9	3.0	3.3	3.8	Q2
Specific provisions to nonperforming loans	71.0	71.2	67.6	64.8	62.4	Q2
Earning and profitability						
Return on assets	1.8	2.4	2.7	2.7	2.6	Q2
Return on equity	9.0	12.4	14.4	15.2	15.0	Q2
Interest margin to gross income	60.5	66.5	64.6	62.4	61.4	Q2
Trading income to gross income	4.9	2.6	2.9	2.8	3.9	Q2
Noninterest expenses to gross income	43.4	45.3	44.6	45.9	47.2	Q2
Personnel expenses to noninterest expenses	42.9	40.9	38.6	36.0	36.3	Q2
Liquidity and funding						
Liquid assets to total assets	20.0	18.3	16.1	18.1	14.3	Q2
Liquid assets to short-term liabilities	29.6	26.6	24.0	26.5	20.7	Q2
Customer Deposits to Total (Non-interbank) Loans	110.6	110.0	106.2	103.6	105.5	Q2
Sensitivity to market risk						
Net open position in foreign exchange to capital	6.7	2.9	4.6	4.1	7.4	Q2
Foreign currency denominated loans to total loans	12.5	13.2	13.1	14.2	14.1	Q2
Foreign currency denominated liabilities to total liabilities	18.2	19.4	20.2	20.7	20.5	Q2
Gross asset position in financial derivatives to capital	1.3	1.8	1.2	2.3	2.2	Q2
Gross liability position in financial derivatives to capital	0.9	1.8	1.3	2.7	2.9	Q2
Nonfinancial corporates						
Corporate debt (in percent of GDP) 1/	39.5	37.9	37.8	38.1	37.6	Q2
Leverage						
Total liabilities to total assets	44.0	44.5	48.7	48.8	45.0	Q2
Profitability 2/						
Return on assets	10.4	16.3	8.1	7.8	10.6	Q2
Liquidity 2/						
Current assets to current liabilities	240.7	229.4	233.6	211.5	221.0	Q2
Liquid assets to current liabilities	172.6	165.7	148.3	139.6	143.9	Q2
Debt servicing capacity						
Companies with negative equity (in percent of total assets)	3.1	2.8	2.7	2.2	2.0	Q2
Companies with negative equity (in percent of total firms)	6.2	6.3	5.1	5.7	5.9	Q2
Households						
Household debt (in percent of GDP)	17.3	16.1	16.5	16.2	15.3	Q2
Real estate markets						
Residential real estate prices (year-on-year percentage change, average)	1.2	2.0	1.7	1.4	0.9	Q2
Residential real estate loans to total loans	11.5	13.0	13.5	13.5	15.1	Q2
Commercial real estate loans to total loans	13.0	15.0	14.7	14.9	15.0	Q2

Sources: Authorities data; Bloomberg L.P.; IMF, Financial Soundness Indicators; Haver Analytics; CEIC Data Co. Ltd.; and IMF staff estimates.

1/ Includes domestic and foreign bonds issuance data from BIS.
2/ Based on capitalization-weighted average of listed companies.

Table 10. Indonesia: Key Poverty and Social Indicators

Population	281.6	millions	(2024)
Life expectancy at birth, total	71.1	years	(2023)
Mortality rate, under 5	20.6	per 1,000 live births	(2023)
Secondary school enrollment:			
Total	96.0	percent	(2023)
Female	97.4	percent	(2023)
Male	94.7	percent	(2023)
GINI index	0.4		(2025)
Income share held by highest 20%	43.6	percent	(2024)
Income share held by lowest 20%	8.1	percent	(2024)
Poverty rate	8.5	percent	(2025)
Population with basic drinking water	94.1	percent	(2022)
Population with basic sanitation	88.2	percent	(2022)
Human development index	0.73		(2023)
Rank	113		
Gender inequality index	0.42		(2023)

Sources: World Bank; Badan Pusat Statistik; and United Nations Development Programme.

Table 11. Indonesia: Implementation of Past Fund Advice

Policies	2024 Article IV Consultation Recommendations	Actions Since 2024 Article IV Consultation
Fiscal Policy	Budget deficit should be slightly narrower than budgeted to support a more balanced policy mix and growth. The medium-term fiscal framework (MTFF) could be enhanced, to ensure that fiscal policy can act counter-cyclically. Revenue mobilization should be prioritized to strengthen fiscal space. Fiscal risks should be monitored to avoid building contingent liabilities.	The budget deficit in 2024 stood at 2.3 percent of GDP as budgeted. The authorities envisage larger revenues from improved tax administration. MTFF reforms remain pending.
Monetary Policy	Monetary policy should remain data-driven, based on the evolution of domestic conditions. The exchange rate should continue to serve as a shock absorber. Foreign Exchange Intervention (FXI) could be appropriate under certain shocks and circumstances, particularly when shocks trigger spikes in market premia given shallow FX markets, though its use should be mindful of preserving reserve buffers.	BI cut its monetary policy rate six times (25 bps in each step) to 4.75 percent as of November 2025, with inflation expectations well-anchored. The rupiah depreciated against the US dollar by an average of 3.9 percent in 2024. Indonesia's de facto exchange rate regime is classified as floating. The external position in 2024 was broadly in line with the level implied by medium-term fundamentals and desirable policies.
Financial Sector Policies	Clarifying that financial system resilience takes priority amongst objectives of the macroprudential toolkit. Bolstering financial sector regulation and supervision, the financial safety net, crisis management, and systemic liquidity and resolution frameworks. Developing the credit infrastructure to foster sound financial access.	BI has been loosening broadly-defined macro-prudential policies (MPP) to support credit growth. The authorities are continuing to enhance stress-testing and risk-monitoring capabilities, while pursuing efforts to deepen money markets.
Structural Policies and Climate Change	Implementing horizontal structural reforms, including strengthening governance and anti-corruption, leveling up education and skills, enhancing health and social protection, investing in logistics and infrastructure, fostering openness, and bolstering the business environment. Carefully designing IP to target market failures and avoid trade and investment distortions, while transitioning away from non-tariff barriers. On the climate side, reforms would be needed to reach net zero, including complementing the CIPP with a plan to transition off-grid power generation under the JETP, the gradual reduction of energy subsidies and carbon pricing.	For 2025, the authorities allocated roughly equivalent spending budgets in the education and health areas as in 2024 (after an important increase in 2024), with public housing allocation increasing by around 60 percent. The authorities announced their intention to streamline NTMs, and started reducing some of them, including LCRs. Efforts at trade integration with multiple trading partners have been substantial. The authorities published a Comprehensive Investment and Policy Plan (CIPP) including the phase out of the on-grid coal-fired power plants, under the JETP. A plan to transition off-grid power generation is also needed.

Table 12. Indonesia: Status of Key 2024 FSAP Recommendations	
Key Recommendations	**Authorities' Actions**
Systemic Risk Analysis	
Implement LCR and Net Stable Funding Ratio (NSFR) across all banks. Integrate FX liquidity analysis of non-financial firms and banks to strengthen FX liquidity risk analysis and inform relevant micro and macroprudential instruments.	**Implemented**. OJK has issued regulations to extend LCR requirements (No. 19/2024) and NSFR requirements (No. 20/2024) to all commercial banks. They have also released a new regulation (no. 20/2025) to impose LCR and NSFR for Sharia Commercial Banks and Sharia Business Units. Bank Indonesia assesses FX liquidity risks in its stress-testing scenarios to evaluate the resilience of the banking sector, and identify banks which may be most exposed to a deposit run-off. The stress testing integrates FX risks into macroeconomic scenarios, and liquidity strength is assessed separately for rupiah and FX positions, as well as in aggregate. The analysis distinguishes FX deposits by product type (current accounts, savings accounts, and time deposits) and ownership classification (individuals, corporations, government entities, and non-bank financial institutions). In this context, the analysis of non-financial firms is limited to their deposit and funding portfolios within the banking system, rather than a broader firm-level liquidity assessment. The potential for systemic pressures is assessed against BI's reserves. Results also inform depositor segments driving vulnerabilities, while non-financial firm analysis is limited to their deposit and funding positions within the banking system.
Require banks to recognize NPLs in a timely and full basis; increase intensity in scrutiny of restructured loans and use multiple benchmarks to capture problem loans properly and promptly in top-down stress tests (ST).	**Implemented**. Pandemic-era forbearance measures for restructured loans were discontinued since March 2024, and all banks are required to report NPLs on a timely and full basis. As of October 2025, the amount of restructured COVID loans with current quality is small, approximately IDR 38 trillion or around 0.45 percent of total banking loan. As part of its efforts to assess problem loans, OJK uses a satellite model for estimating NPL based on extreme but plausible set of macroeconomic shocks scenarios, has added a relapse rate to the estimated NPL in adverse scenarios to capture possible downgrades from PL to NPL for Covid restructured loans. OJK is also enhancing its capacity to assess banks' liquidity resilience by developing and updating the top-down stress testing methodology, with technical assistance from the IMF. Aside from NPL and Loan at Risk (LaR), OJK has started to use other benchmarks to measure credit quality. The loan ratio based on provision stages is included in the credit risk analysis, to calculate the loans that are already included in the stage 3 provision. OJK also uses the default rate as an additional measure of credit risk.
Macroprudential Policies	
Clarify that financial resilience takes priority as the macroprudential policy goal. To the extent possible under the FSOL, separate the inclusive financing ratio and the liquidity incentives from the macroprudential tool kit and highlight the safeguards on these measures.	**In progress**. The FSOL emphasizes that the ultimate objective of macroprudential policy is to maintain financial system stability. The authorities will seek to strengthen the communication of this objective, such as through the Financial Stability Review and other communication channels. The inclusion of the inclusive financing ratio and the liquidity incentives is based on Indonesia's experience and is in line with BI mandate. These measures are applied with prudential safeguards and tailored to national circumstances to support productive sectors while preserving stability. The authorities view attending certain priority sectors that could contribute to economic growth helps limit risks to financial system stability. The current arrangements reflect the mandates of the FSOL. However, these recommendations will be considered further in due time.
Prepare to shift towards a more neutral macroprudential stance. Consider an overall strategy which may include preemptive building of resilience (such as a positive cycle-neutral rate counter cyclical capital buffer).	**Implemented**. BI's policy stance is based on its assessment of the financial cycle. Currently, the financial cycle remains below its long-term trend but is projected to close over 2026. BI will prepare for a shift towards a more neutral macroprudential policy stance if the projection remains intact. Additionally, in line with the recommendation, BI is researching the merits of a positive cycle-neutral rate for the countercyclical capital buffer (CCyB).

Table 12. Indonesia: Status of Key 2024 FSAP Recommendations (Continued)

Key Recommendations	Authorities' Actions
Continue to strengthen the framework for the whole system and, in the future, address gaps in the macroprudential toolkit such as tools for NBFIs.	**In progress**. OJK recognizes the growing role of NBFIs and is proactively monitoring their interconnectedness with the banking sector and the broader financial system. Review will be undertaken on current practices used in leading and coincident financial system indicators, ensuring that NBFI risk profiles are appropriately captured. Going forward, the authorities aim to develop a macroprudential framework for NBFIs through collaboration across institutions under the KSSK framework. As part of this effort, research will be conducted comparing the current practices of domestic SIB (systemically important bank) selection practices to identify lessons that can be adapted as part of the NBFI macroprudential framework. BI regularly monitors the NBFI sector and capital markets to identify risks and is actively collaborating in data sharing to facilitate its monitoring. They have developed and implemented analytical tools, such as forecasting models for financing companies. They have also established regular data exchanges—such as IPO pipeline data from OJK—to support monitoring and assessments of banks and corporations.
Financial Sector Regulation and Supervision	
Explicitly protect the OJK and its staff against the costs of defending their actions/omissions made while discharging their duties in good faith. Clearly state that the OJK's primary objective is to promote the safety and soundness of financial institutions and the financial sector and strengthen the level of independence of OJK.	**In progress**. In order to adequately protect OJK staff, OJK has issued PDK No. 5/PDK.02/2024 on the Procurement of External Legal Advisory Services and Circular Letter No. 18/SEDK.02/2024 on Procedures for Providing Witness and Expert Testimonies as well as Legal Assistance at OJK. FSOL has reinforced OJK's position as an autonomous state institution, providing full independence in the execution of its responsibilities and powers, except as specified by law. OJK is principally tasked with ensuring the safety and stability of financial institutions and the broader financial sector through supervisory and regulatory duties prescribed by the OJK Law under FSOL. Government intervention in OJK's oversight and regulatory activities is strictly forbidden. The selection of the Chairman and Board of Commissioners, as well as the allocation and determination of OJK's budget, lies entirely with Parliament, without any involvement from the government. The MoF ex-officio member serves to facilitate communication and coordination as well as adds value as a liaison on inter-institutional matters.
Align the use of profit and loss sharing Shariah contract with the intended purposes and substance of the financial instrument.	**Partially implemented**. OJK issued the Guidelines for the Implementation of Shariah Restricted Investment Accounts (SRIA) in October 2024 for this purpose. These guidelines will be further strengthened by the preparation of a draft POJK on Islamic Bank Investment Products, scheduled for issuance in the second half of 2025, which will regulate profit-sharing products where the investment risks are borne by investors.
Prioritize and strengthen on-site examination processes for comprehensive evaluations of corporate governance, risk management, transactions with related parties and country and transfer risk and continue building capacity, skills, and innovative technologies to conduct more effective supervision.	**Partially Implemented**. Under POJK No. 17/2023 OJK strengthened its governance supervision framework, with a focus on board oversight, control functions, conflicts of interest, and remuneration frameworks. Supervisors receive ongoing technical training and capacity-building, with workshops on governance, related parties, and country and transfer risks conducted in 2025. Supervisory examinations use a comprehensive, risk-based framework, refined by proportionality and tiering based on bank systemic importance and status, ensuring more risk-sensitive and evidence-based review intensity. Quality control mechanisms through panel forums support consistency and robustness.

Table 12. Indonesia: Status of Key 2024 FSAP Recommendations (Continued)

Key Recommendations	Authorities' Actions
	For risk management, a multiyear research program is underway to improve risk-based supervision, including RBBR and SREP methodologies. The research will integrate all supervisory tools among others ICAAP, D-SIBs, stress testing, and recovery plans into one comprehensive framework. Regarding transactions with related parties, new regulations (SEOJK No. 14/2025) strengthen related-party transactions rules, including the definition of related parties and related-party transactions, ensure transparency, mitigate self-dealing, and uphold prudent governance standards. Furthermore, regulations on the reporting and disclosure of related-party transactions will be issued by the end of 2025. OJK is reviewing and aligning these rules, with supervisory guidance and manuals to be updated by 2025 to embed related party transaction reviews into governance supervision. Country and transfer risks undergo quarterly reporting and on-site assessments. A consultative paper has been published on October 13, 2025, to further define supervisory expectations for banks by end-2025, aligning with international standards yet tailored to Indonesia's specific risk context.
Enhance the supervisory framework by i) improving risk methodology and its application; ii) better integrating certain supervisory activities (ICAAP, D-SIBs, stress testing, and recovery plans); and iii) requiring banks to report information regarding non-financial and unregulated entities within the broader group structure.	**In progress**. OJK is conducting a multi-year project to enhance its risk-based supervision methodology, including the Risk-Based Bank Rating (RBBR), incorporating 2023/2024 FSAP recommendations. From 2025, it will assess the full Risk-Based Supervision (RBS) cycle, including strengthening the RBBR/SREP methodology. All supervisory tools—ICAAP, D-SIBs assessment, stress testing, and recovery plans—are being integrated into a unified RBS framework. The enhanced RBBR emphasizes ICAAP–SREP alignment, credible stress testing, recovery plans, governance and oversight (with stronger Board and commissioner reviews), and model validation into a comprehensive framework. OJK's POJK No. 30 of 2024 allows a Financial Conglomerate Holding Company to be an operating entity, including a bank, and includes non-financial entities (non-LJKs) that support financial services. Designated conglomerates must report their structure during licensing, notify OJK of structural changes, and submit consolidated financial statements covering all designated entities.
Further develop internal capacity and models for climate risk analysis, offer methodological guidance to FIs, improve data collection for analysis of transition and physical risk.	**Partially implemented**. Since 2024, OJK has conducted various capacity building activities and collaborated with other ministries and agencies to improve data collection. OJK is enhancing key initiatives, including the enhancement of Climate Risk Management and Scenario Analysis (CRMS) guidelines, assessments of climate risk impacts on banking performance, and the development of sustainable finance roadmaps in the capital market, as well as the insurance, guarantees, and pension funds sectors. In the banking sector, OJK has partnered with stakeholders including the Australia Indonesia Partnership for Economic Development and relevant ministries/agencies to develop the Indonesia Policy Scenario for climate risk assessment and continues to develop the Industry-wide Climate Risk Stress Test (IWST) to further assess how transition and physical risks affect Indonesian banks' performance and resilience. In 2025, OJK expanded CRMS piloting, requiring KBMI 1–2 banks to cover at least 50% of their credit portfolios and KBMI 3–4 banks to achieve full (100%) coverage. In relation to capacity-building efforts, OJK has carried out various activities, including CRMS launch events and trainings (March and October 2024, and February 2025 for KBMI 1–2); sustainable finance awareness trainings (January and April 2024); emissions-calculation trainings (February–March and May 2024); TKBI (Indonesia Taxonomy for Sustainable Finance) workshops (August 2024) and TKBI Version 2 dissemination sessions (February and April 2025); ESG disclosure training (September 2024); Transition Planning Guidelines training (February 2025); and a climate-target-setting workshop for banks (April 2025).

Table 12. Indonesia: Status of Key 2024 FSAP Recommendations (Continued)	
Key Recommendations	**Authorities' Actions**
	BI has developed a Climate Risk Analysis framework focusing on the transmission of transition risk to macroeconomic variables and their impact on banking resilience, as reflected in Non-Performing Loans (NPL) and Capital Adequacy Ratio (CAR). The framework is based on NGFS-aligned scenarios and macro-financial modeling. BI is also advancing the CRST by incorporating physical risks into the climate and nature related risks impact assessment. BI is pursuing capacity building, including through internal research and collaboration with the World Bank and partner central banks, such as MAS, BoJ, and Banque de France.
Improve collaboration on climate risk analyses among government agencies, including between BI and OJK, research institutions, and the private sector.	**Partially implemented**. OJK continues to strengthen climate-risk regulatory frameworks through close coordination with ministries/agencies, industry players, and other stakeholders. In developing key policies, such as the Indonesia Taxonomy for Sustainable Finance (TKBI) Version 2, the Climate Risk Management and Scenario Analysis (CRMS) guidelines, and the Transition Planning Guidelines, OJK has actively engaged with Bank Indonesia, the Ministry of Finance, relevant line ministries, academia, international organizations, and financial industry representatives through a series of focus group discussions and public consultations. Furthermore, OJK is preparing the Transition Planning Guidelines, developed jointly with the OECD, which incorporate climate risk analysis as a core component and have benefited from inputs from policymakers, including the Ministry of Finance and Bank Indonesia, as well as financial institutions, research organizations, and international partners. In addition, OJK is currently exploring the development of carbon-emission measurement tools together with the Ministry of Environment, advancing discussions with BPDLH (Indonesian Environment Fund) and the Ministry of Forestry on sustainable finance schemes, and collaborating with BNPB and BMKG to enhance climate-related and disaster-risk data to support more robust physical-risk assessments. BI is conducting discussions on climate risk modeling with OJK, other relevant agencies, and other partners. These efforts are complemented by BI's engagement with international partners, as well as joint research with private sector and research agencies to strengthen analytical capabilities and ensure consistent methodologies across the financial sector.
Financial Integrity	
Improve national AML/CFT/CPF regime by taking a more robust approach on imposing sanctions for non-compliance issues identified to ensure they are fully dissuasive and maintaining accurate information on the ultimate beneficial owner of legal persons.	**Partially Implemented**. To strengthen the identification and verification of Beneficial Owner (BO) from the customer side in the financial sector, OJK issued OJK Regulation Number 8 of 2023 regarding the implementation of AML/CFT/CFP, which requires financial institutions to identify and verify BO from Prospective Customers, Customers, and Walk-in Customers to prevent business relationships being misused for criminal purposes. On the other side, to strengthen the identification and verification of BO from the business entity/business player in financial sector, OJK issued OJK Regulation Number 27/POJK.03/2016 regarding fit and proper test for key parties of financial institution, which regulated that OJK conduct assessment of the financial institution's controlling shareholder. In addition, OJK and the Directorate General of Legal Administration (Ditjen AHU) signed a Cooperation Agreement (PKS) on 16 July 2025. One of the key areas of information exchanged under this agreement is the beneficial ownership data of legal persons. In order to improve the national AML/CFT/CPF regime, OJK has also introduced OJK Regulation No.24/2025 on governance in bank account management which also aims to prevent the misuse of dormant accounts.

Table 12. Indonesia: Status of Key 2024 FSAP Recommendations (Continued)

Key Recommendations	Authorities' Actions
Systemic Liquidity Management	
Reduce the frequency and breadth of interactions with the market in both rupiah and FX to achieve market development goals.	**In progress**. Ongoing persistent uncertainty necessitates BI presence in both the rupiah and FX markets to ensure stability. BI's pro-market monetary operations strategy supports market development goals while maintaining orderly market functioning. Therefore, frequency and scope of market interactions will be reduced gradually, based on market conditions and market readiness. Towards this objective, BI introduced the Primary Dealer framework in May 2024 to strengthen market development and reduced the frequency and tenor of regular repo and reverse repo operations. For example, regular reverse repo operations for tenors of 2 weeks and 1 month, and regular repo for tenors of 2 weeks up to 12 months have recently been deactivated. Access to 1-week repo operations has been made more targeted and performance-based through the Primary Dealer mechanism, while the 1-week reverse repo operation has also been made less frequent. The longer-term pursuit of this recommendation will be guided by the Blueprint for Money Market and Foreign Exchange Market Deepening 2025-2030.
Consider how to address the growing NBFI sector before it becomes systemically important (and review approach to CCP in particular).	**Pending**. Liquidity support to NBFIs is not within the remit of BI. Nevertheless, NBFIs can access markets to deal with liquidity pressures and to mitigate risks of fire-sales, and BI stands ready to step into the market to stabilize bond market conditions. Up to now, there is no provision that allows Bank Indonesia to provide or guarantee liquidity to the CCP in case of stress events. The CCP framework has been strengthened through the issuance of PADG No. 9/2024, replacing PADG No. 22/14/2020, and operational arrangements continue to evolve in line with international principles. The possibility of arranging liquidity backstop within the CCP's default waterfall framework is still under study going forward, particularly in the context of CCP recovery and resolution planning.
Crisis Management and Financial Safety Net	
LPS should not provide liquidity for banks under recovery and should be used only to recapitalize banks in a resolution as a last resort and subject to safeguards.	**Pending**. In accordance with the Financial System Safety Net Law (FSOL), LPS is authorized to conduct fund placement for systemic banks under recovery, and which face temporary liquidity challenges that remain of concern. Such placements are governed by stringent criteria and safeguards designed to minimize potential risks, as well as the triggering mechanism and enhanced supervision. The government is currently drafting a regulation concerning fund placements by LPS, which will serve as an implementing regulation required by the FSOL.
Include financial conglomerates in the resolution framework and enhance the overall compliance of the framework with the FSB Key Attributes, including by providing for the bail-in tool outside a Bank Recovery Program.	**In progress**. The existing regulatory requirements for the reporting of group structures are deemed sufficient for identification of resolution groups and to ensure that in the event of resolution, the ring-fencing measures and resolution actions can be aligned. Indonesia has enhanced its resolution framework to align more closely with the FSB Key Attributes. In 2024, LPS issued LPS Regulation No. 5/2024, which explicitly provides for the use of the bail-in tool outside the Bank Recovery Program (on a voluntary basis if shareholders choose to do so).
Follow best practices in terms of safeguards for BI when purchasing bonds in a primary market during a crisis.	**Pending**. SUN/SBSN purchases by Bank Indonesia in the primary market are based on general practices through transparent market mechanisms to maintain good governance. Any future bond purchases by BI will apply appropriate safeguards. As stipulated in the FSOL, the general safeguards are declaration of crisis by the President, strict scope and duration, risk-sharing with the government, transparency to the house of representative, and mandatory exit when conditions normalize. BI issued regulation No. 6 of 2025, which stipulates the rule of purchasing short-term government securities in the primary market.

Table 12. Indonesia: Status of Key 2024 FSAP Recommendations (Concluded)

Key Recommendations	Authorities' Actions
Financial Development Issues	
Complete the regulatory and oversight framework for FMIs, Credit Infrastructure consistent with FSOL, and establish appropriate cooperative oversight arrangements between BI and OJK.	**Partially Implemented**. BI has developed an oversight framework for all FMIs under its authority, including central bank operated and privately owned FMIs. The framework is consistent with the PFMI and also takes into consideration the current and prospective development of FMIs in Indonesia. BI is leveraging technical assistance from IMF to further strengthen its FMIs oversight framework. BI and OJK have an MoU that establishes cooperation and coordination, including on the oversight of FMIs No. 26/1/NK/GB/2024 and No. MoU-5/D.01/2024 dated March 22, 2024. The MoU sets out information sharing, joint supervision, and crisis management coordination. Credit infrastructure: OJK is in the process of developing a national strategy and architecture for development of Credit Reporting System (CRS), with technical assistance from World Bank expected to be completed by the end of 2025.
Define objectives of state ownership of banks, improve MSME credit insurance pricing	**In Progress**. Law No. 1/2025 amends Law No. 19/2003 regarding State-Owned Enterprises (SOEs). The new law re-emphasizes that the primary objective of SOEs is to seek profit, in addition to helping address market failures through government assignments. A notable new provision in Law No. 1/2025 is the legal protection to SOE officials (Directors, Commissioners, and Supervisors) while performing their duties. This protection means they cannot be held legally responsible for losses as long as they meet the criteria specif ed in Article 9F. This new provision is intended to encourage SOE officials to be more courageous in taking risks. Authorities consider MSME credit insurance pricing as a matter of little importance as of now, since the government already absorbs a large portion of risk through interest subsidies and guarantee schemes. However, Indonesia remains aligned with the FSAP recommendation to adopt a risk-based approach. Concrete progress has already been made in laying the foundation for this transition.
Gradually remove the requirement for minimum government bond holdings by institutional investors.	**Pending**. The requirement for minimum government bond holdings by institutional investors has not yet been amended. However, authorities acknowledge the importance of gradually removing this requirement to allow greater diversification of investment. To this end, the government is formulating regulations on asset and liability management for state-related pension managers which emphasize the adoption of life-cycle funds, particularly for defined-contribution schemes. In parallel, OJK Regulation (POJK) No. 27/2023 also underscores the urgency of implementing life-cycle funds for pension funds.

Table 13. Indonesia: Integrating Fund Surveillance and Capacity Development		
Area	**Surveillance Recommendations**	**Capacity Development Recent Actions/Plans**
Monetary policy and central bank communication	BI's policies should continue to be data-dependent and guided by the IPF with clear communication and efforts to strengthen market development.	The Fund provided training on macroeconomic essentials, global developments and risks, TA on FMI oversight in August 2025, TA on monetary and exchange rate modeling, and enhancing the residential property price index. TA on strengthening climate-risks assessments is under discussion.
Statistics	Use of big data for timely economic monitoring could support prompt policy decision making.	The Fund provided technical assistance to the BPS and BI on an enhanced residential property price index and on updating and improving the Export and Import Price Index. In July 2024, the Fund provided TA and a workshop on compiling energy and air emission accounts. This was preceded by TA and a Workshop on Macro-relevant Climate Change Statistics in July 2023.The Fund has also provided ongoing TA on Government Finance and Public Sector Debt Statistics.
Fiscal framework, tax policy and administration	Implement a medium—term revenue strategy (MTRS) to raise revenue by at least 3 percent of GDP over five years to finance spending on infrastructure, education, and health.	The Fund provided technical assistance in August 2017 which was revisited in April 2024 through TA on General Tax Diagnostic and Regional Analysis. The Fund organized a workshop with the authorities on fiscal rules in November 2023 and build capacity in MoF to use the Growth-at-risk framework with dedicated FPP training scheduled for early-2026.
Public financial management	Improve fiscal governance, including infrastructure governance and public investment management and fiscal risk monitoring.	The Fund conducted Indonesia's PIMA in February 2019, which lists priority actions to improve public investment management, and a Public Sector Balance Sheet Analysis in October 2019. The Fund also provided technical assistance and workshops on budget analysis and costing methodologies. During 2022-23, the Fund provided technical assistance and held workshops on fiscal risks and transparency, cash management and budget execution, fiscal decentralization and local government endowment and natural resource funds, and internal control and training on the SRDSF. In January 2024, technical assistance on public private partnerships and government guarantees was provided, followed by a workshop on fiscal risks in April 2025 as well as discussions on a planned multi-year fiscal risks TA engagement.
Financial sector	Improve financial oversight, crisis management framework, and the monitoring of corporate vulnerabilities.	The Fund provided technical assistance on financial conglomerate supervision, risk-based supervision, financial crisis management, and on strengthening bank and corporate stress testing frameworks and systemic risk analysis. The Fund also provided a virtual workshop on fintech regulation and supervision, drawing on global practices to identify opportunities to strengthen domestic frameworks. In July 2025, TA was provided to OJK on related parties transactions followed by an onsite workshop in December. TA was provided to OJK in December 2025 on top-down liquidity stress tests. Discussions are ongoing with OJK (and BI) to provide capacity development on EWS and FSI. In addition, the Indonesian Financial Transaction Reports and Analysis Centre has requested training on AML/CFT focused on stand-alone cases.

Annex I. External Sector Assessment

Overall Assessment: *The external position in 2025 is assessed on a preliminary basis to be broadly in line with the level implied by medium-term fundamentals and desirable policies.*[1] In the medium term, external balance is expected to be sustained despite external policy shocks and higher uncertainty, while exchange rate flexibility and structural policies would help contain the CA deficit. External financing needs appear sustainable. Amid still-deepening domestic markets, Indonesia's reliance on foreign portfolio investment exposes the economy to sharp swings in market sentiment and risk premia, and to fluctuations in global financial conditions.

Potential Policy Responses: Maintaining external balance will require structural reforms to enhance productivity and promote trade—given rising global trade restrictions and policy uncertainty. Reforms should include (i) higher infrastructure investment, higher social spending to foster human capital development and strengthening the social safety net, (ii) reducing or eliminating restrictions on inward FDI and external trade, including by moving away from non-tariff barriers, and (iii) promoting greater labor market flexibility. Exchange rate flexibility should continue to support external stability. Recent progress on trade integration with several major partners and structural reforms and deregulation to lower trade and investment barriers is welcome. Building on this progress through decisive, comprehensive, broad, and sound implementation could strengthen trade, investment, and growth.

Foreign Asset and Liability Position and Trajectory	**Background**. Indonesia's NIIP is projected to slightly narrow from -17.6 percent of GDP at end-2024 to -17.5 percent of GDP at the end-2025, amid largely offsetting shifts in gross external assets and liabilities. Gross external assets are projected to rise by 0.4 percent of GDP, with improvements in most components partly offset by declines in reserves as a share of GDP. On the gross liabilities side, portfolio debt and equity liabilities are projected to decline as a share of GDP amid a year of external pressures, while direct investment and other investments—despite some softening in 2024—are projected to show net increases as a share of GDP. Indonesia's gross external debt is projected to remain moderate at 29.9 percent of GDP at end-2025, falling marginally from 30.5 percent of GDP in 2024. External rollover risks in the short-term are contained as reflected in the large share of long-term debt. **Assessment**. The level and composition of the NIIP and gross external debt indicate that Indonesia's external position is sustainable and subject to limited rollover risk. However, the continuing high dependence on foreign portfolio investment (19.1 percent of GDP in 2025) makes Indonesia vulnerable to swings in global financial market sentiment. The NIIP as a share of GDP is projected to marginally improve in the medium term, as robust nominal GDP growth would offset the projected small CA deficits.

Projected 2025 (% GDP)	NIIP: -17.5	Gross Assets: 37.9	Res. Assets: 10.5	Gross Liab.: 55.4	Debt Liab.: 29.9

Current Account	**Background**. The CA deficit is projected to marginally narrow to 0.5 percent of GDP in 2025 from a 0.6 percent of GDP deficit in 2024. The projected nearly flat dynamics in 2025 are driven by resilient exports, which in turn reflect a combination of frontloading of exports to the US amid trade policy shocks and resilient demand from other trading partners (including a recovery in palm oil exports), offsetting headwinds from a decline in some key commodity prices. Import growth is projected to moderate vis-à-vis 2024, though picking up somewhat in Q4 amid demand-boosting policy measures. On the savings-investment side, a 0.2 percent of GDP decrease in savings (income pressures on households, a more supportive fiscal stance) is offset by a 0.3 percent decrease in investment (higher uncertainty). The CA deficit is projected to widen moderately in 2026, reflecting some continued payback to frontloading, the protracted effects of global trade tensions, disruptions to copper exports due to a *force majeure* event at the Freeport Copper Mine, muted commodity prices, and robust imports amid policy support. The CA deficit is expected to remain close to the norm throughout the projection horizon, amid stable savings and investment outlooks. **Assessment**. Staff estimates a CA gap of 0.5 percent of GDP for 2025, consistent with an estimated cyclically adjusted CA deficit of −0.7 percent of GDP, a staff assessed norm of −0.7 percent of GDP, and an adjustor of 0.5 percentage points for demographics.[2] Considering the uncertainty in the estimation of the norm, the CA gap for 2025 is in the range of 0.0 to 1.0 percent of GDP. EBA-identified policy gaps are estimated at 0.4 percent of GDP, with a tighter fiscal stance than in other countries (0.8) and underspending on healthcare (0.4) contributing to the positive gap, partly offset by the credit gap (-0.6).

[1] This preliminary assessment is based on the most recent WEO-based multilateral model estimates and the latest Indonesian data and staff projections included in this staff report. The final assessment for 2025 will be published in the 2026 External Sector Report.

[2] Indonesia is among a few countries with low life expectancy at prime age and demographic indicators are adjusted to account for this. As a result, the model-estimated CA norm is adjusted by subtracting 0.5 percentage point of GDP.

Projected 2025 (% GDP)	CA: -0.5	Cycl. Adj. CA: -0.7	EBA Norm: -0.7	EBA Gap: 0.0	Staff Adj.: 0.5	Staff Gap: 0.5
Real Exchange Rate	**Background**. By end-2025, REER is projected to fall by 4.7 percent relative to its average level in 2024. The depreciation reflects a period of heightened external and domestic policy uncertainty affecting capital outflows and easing domestic monetary policy tightening yield differentials. As of September 2025, the REER was 5.9 percent below its 2024 average. **Assessment**. The staff CA gap estimate of 0.5 percent of GDP implies a REER gap of -2.9 percent (applying an estimated elasticity of 0.16). The REER index and level models point to REER gaps of -5.3 percent and –21.9 percent, respectively. Consistent with the staff CA gap, staff assess the REER gap in the range of –6.0 to 0.3 percent with a mid-point of -2.9 percent.					
Capital and Financial Accounts: Flows and Policy Measures	**Background**. Net capital and financial flows are projected to worsen in 2025 (0.1 percent of GDP) from 1.0 percent of GDP in 2024. Portfolio investment flows turned negative, reflecting net outflows from equities and private bonds, alongside a retrenchment of non-resident holdings of BI's local currency instrument (SRBI), which fell from 1.0 percent of GDP at end-2024 to 0.4 percent of GDP by end-October 2025. Net FDI inflows softened to 0.6 percent of GDP in 2025 (from 1.1 percent in 2024; 1.4 percent in 2022). The share of nonresident holdings of rupiah-denominated government bonds (13.6 percent at end-October 2025) fell relative to end-2024 (14.5 percent), and is considerably below the 39 percent share in 2019. Amid external shocks, financial flows are expected to be somewhat subdued into the medium term. Given the still deepening domestic markets, the reliance on foreign portfolio investment exposes the economy to sharp swings in market sentiment and risk premia, and to fluctuations in global financial conditions. **Assessment**. The small net financial and capital accounts surplus partly offset the moderate current account deficit in 2025. Continued strong policies, focused on safeguarding the fiscal position and long-standing policy frameworks, advancing financial deepening, and implementing structural reforms that provide credibility and certainty, and enable the business, trade, and investment environment should help sustain capital inflows in the medium term, particularly in a likely period of prolonged global policy uncertainty and headwinds to external growth.					
FX Intervention and Reserves Level	**Background**. Since mid-2013, Indonesia has had a more flexible exchange rate policy framework. Official foreign reserves are projected at US$150 billion in 2025, slightly below end-2024, with declines due to FX interventions during stress periods offset by efforts to rebuild buffers at other times. **Assessment**. The end-2025 level of reserves (10.5 percent of GDP, 116 percent of the IMF's reserve adequacy metric, and 5.7 months of prospective imports) should provide a sufficient buffer against external shocks. Predetermined short-term foreign currency drains have been stable through 2025. In line with the IPF, the use of FXI is appropriate under certain shocks and circumstances, particularly when shocks trigger spikes in market premia given shallow FX markets. Their usage should be judicious to preserve buffers in a shock-prone environment.					

Annex II. Risk Assessment Matrix[1]

	Source of Risks	Likelihood	Expected Impact	Policy Recommendation
Global	**Conjunctural. Geopolitical tensions or escalating trade tensions**. Intensification of conflicts, coupled with the weakening of multilateralism or escalating trade tensions, together with prolonged policy uncertainty, may trigger commodity price volatility, increase migration pressures, reignite inflation, bottlenecks in value chains, and weigh on growth by undermining confidence, investment, tourism, trade, and supply chain.	**High**	**High** A weaker global economy, commodity prices, capital flows, and supply chains would be the key transmission channels. For commodities, a deterioration in the terms of trade would lead to lower growth and worsen the external balance. A sharp increase in energy or food prices may strain the fiscal position to the extent these prices remain subject to administrative measures; price adjustments would impact inflation. Supply chain disruptions could affect production and trade and raise inflation. Capital outflows (including higher uncertainty) could tighten financial conditions and create exchange rate volatility.	Use available policy space (fiscal, and monetary policy) countercyclically to stabilize output and inflation, calibrating the response to a long-lasting shock to maintain margin of maneuver. The exchange rate should remain flexible and market determined. FXI could be used to address disorderly market conditions or the impact of shocks under frictions (e.g., a sharp pickup in the UIP premium in shallow financial markets) while keeping strong buffers. Accelerate horizontal structural reforms to support the transition to a stronger, more resilient and more inclusive medium-term economic growth.
	Conjunctural. Commodity price volatility. Shifts in supply and demand—driven by geopolitical tensions and conflicts, OPEC+ actions, or the green transition—may fuel commodity price swings, intensifying external and fiscal pressures, social unrest, and macroeconomic instability.	**High**	**Medium**. Impact will depend on whether (and which) commodity prices rise or decline, given Indonesia's net commodity exporter status on various key commodities. A rise in the price of oil, of which Indonesia is a net importer, and/or a decline in price of commodities for which Indonesia is a net exporter (e.g., nickel, crude palm oil) would lead to lower growth and worsen the external and fiscal balance. A sharp increase in energy prices would reverse the moderation in inflation.	Use available policy space (fiscal and monetary policy) countercyclically to stabilize output and inflation. Seek to make progress on reforming energy subsidies. The exchange rate should remain flexible and determined by market forces. In the longer term, preserving and enhancing diversification of the economy and the export basket would smooth effects of commodity specific price shocks.

[1] The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path (the scenario most likely to materialize in the view of IMF staff). The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non mutually exclusive risks may interact and materialize jointly.

Source of Risks	Likelihood	Expected Impact	Policy Recommendation
Conjunctural. Financial Market Volatility and Correction. Stretched asset valuations, easy financial conditions, and subdued volatility in key markets could be significantly affected by a sudden and disruptive shift in investor sentiment or policy stance, triggering market corrections, exchange rate turbulence, spikes in sovereign bond yields, and capital flow volatility. Elevated leverage among Non-Bank Financial Intermediaries further amplifies these risks, as forced deleveraging during periods of stress could exacerbate asset price swings and propagate shocks. Rapid growth of unregulated crypto markets could add to these vulnerabilities by increasing the risk of redemption runs and market dislocations.	**High**	**Medium**. Direct transmission of instability to the domestic financial sector is likely to be contained amidst strong bank balance sheets, low FX mismatches and limited interlinkages. However, risk-off sentiment in global financial markets would tighten external financing conditions. Exchange rate turbulence and spikes in sovereign bond yields, if significant, could create exchange rate volatility and worsen the external and fiscal balances, including through capital outflows.	Monitor spillovers to the domestic financial sector and stand ready to intervene if severe strains begin to emerge. With inflation within BI's target range, monetary policy could be eased to limit the impact on output—which will be enabled further if monetary policy begins to normalize in major economies. Allow the exchange rate to act as a shock absorber. FXI could be used to address disorderly market conditions or the impact of shocks under frictions (e.g., a sharp pickup in the UIP premium in shallow financial markets). Prudent and credible fiscal policy will be key to anchor sovereign bond yields in check.
Conjunctural. New Trade Agreements. A breakthrough in trade talks could reduce uncertainty and protectionism, boost investment and productivity, and support broader reforms to lift medium-term growth.	**Low**	An ambitious and broad breakthrough in trade talks and reduction in NTMs—whether unilaterally or in concert with trading partners—could help signal that Indonesia is "open for business" while delivering gains from trade and investment as trade integration materializes.	To the extent trade agreements and reductions in protectionism are durable, they could contribute to increasing medium-term growth sustainably.
Structural. Climate Change. Extreme climate events and rising temperatures could cause loss of life, damage to infrastructure, food insecurity, supply disruptions, and heighten economic and financial instability.	**Medium**	**Low**. Disruptions to economic activity are likely to be focalized; becoming macro-critical only if they were to hit major production and/or population centers (including Jakarta) or in case of repeated events or compounding events (multiple shocks occurring simultaneously).	Prioritize targeted support to affected households and businesses, and reconstruction. Preemptively monitor financial sector risks that have geographical and/or sector concentrations that may be impaired in key areas particularly vulnerable to climate shocks (e.g., fisheries, or mining complexes in vulnerable locations). Continue disaster risk management preparedness, in line with already adopted disaster risk financing and insurance strategy in 2018, adaptive social protection roadmap in 2023, and current operationalization of the national "Pooling Fund Bencana – PFB" to manage disaster-related financing needs.

	Source of Risks	Likelihood	Expected Impact	Policy Recommendation
Domestic	**Conjunctural. Acceleration of growth through domestic demand**. Rising domestic economic confidence could arise from a more rapid and/or deeper than expected implementation of horizontal structural reforms.	Low	Medium. Stronger private sector investment as economic prospects improve, contributing to a faster-than-projected closing of the output gap; the recovery in bank credit accelerates.	Fiscal and monetary policies should remain broadly neutral with a tightening bias; a tight monetary policy stance could be warranted if inflation picks up. MPPs should be tightened if credit growth accelerates, closing the credit gap earlier.

Annex III. Public Debt Sustainability Analysis[1]

Figure 1. Indonesia: Risk of Sovereign Stress

Horizon	Mechanical signal	Final assessment	Comments
Overall	...	Low	The overall risk of sovereign stress is assessed as "low", reflecting debt stabilization under the baseline and low levels of vulnerability in both the near and medium-term modules.
Near term 1/			
Medium term	Low	Low	Medium-term risks are assessed as "low" (in line with the aggregate medium-term mechanical signal) on the basis of balanced risks around the debt baseline, and manageable gross financing needs.
Fanchart	Moderate	...	
GFN	Moderate	...	
Stress test	Cont. Liabty.	...	
Long term	...	na	There are long-term risks, notably from climate change needs. Fiscal reforms to create fiscal space to finance adaptation needs are critical over the longer run.
Sustainability assessment 2/	Not required for surveillance countries	na	na
Debt stabilization in the baseline			No

DSA Summary Assessment

Commentary: Indonesia is at a "low" overall risk of sovereign stress and debt is sustainable. Public debt is expected to stabilize over the medium-term, driven mostly by a favorable interest-growth differential. Debt coverage is adequate, and realism tools suggest projections of key debt drivers are within norms. Medium-term solvency and liquidity risks are manageable.

Source: Fund staff.

Note: The risk of sovereign stress is a broader concept than debt sustainability. Unsustainable debt can only be resolved through exceptional measures (such as debt restructuring). In contrast, a sovereign can face stress without its debt necessarily being unsustainable, and there can be various measures—that do not involve a debt restructuring—to remedy such a situation, such as fiscal adjustment and new financing.

1/ The near-term assessment is not applicable in cases where there is a disbursing IMF arrangement. In surveillance-only cases or in cases with precautionary IMF arrangements, the near-term assessment is performed but not published.

2/ A debt sustainability assessment is optional for surveillance-only cases and mandatory in cases where there is a Fund arrangement. The mechanical signal of the debt sustainability assessment is deleted before publication. In surveillance-only cases or cases with IMF arrangements with normal access, the qualifier indicating probability of sustainable debt ("with high probability" or "but not with high probability") is deleted before publication.

[1] Prepared by Raju Huidrom.

Figure 2. Indonesia: Debt Coverage and Disclosures

						Comments
1. Debt coverage in the DSA: 1/	CG	GG	NFPS	CPS	Other	
1a. If central government, are non-central government entities insignificant?					n.a.	

2. Subsectors included in the chosen coverage in (1) above:

					Subsectors captured in the baseline	Inclusion
CPS	NFPS	GG: expected	CG	1	Budgetary central government	Yes
				2	Extra budgetary funds (EBFs)	No
				3	Social security funds (SSFs)	No
				4	State governments	Yes
				5	Local governments	Yes
				6	Public nonfinancial corporations	No
				7	Central bank	No
				8	Other public financial corporations	No

3. Instrument coverage:	Currency & deposits	Loans	Debt securities	Oth acct. payable 2/	IPSGSs 3/

4. Accounting principles:	Basis of recording		Valuation of debt stock		
	Non-cash basis 4/	Cash basis	Nominal value 5/	Face value 6/	Market value 7/

5. Debt consolidation across sectors:	Consolidated	Non-consolidated

Color code: chosen coverage | Missing from recommended coverage | Not applicable

Reporting on Intra-Government Debt Holdings

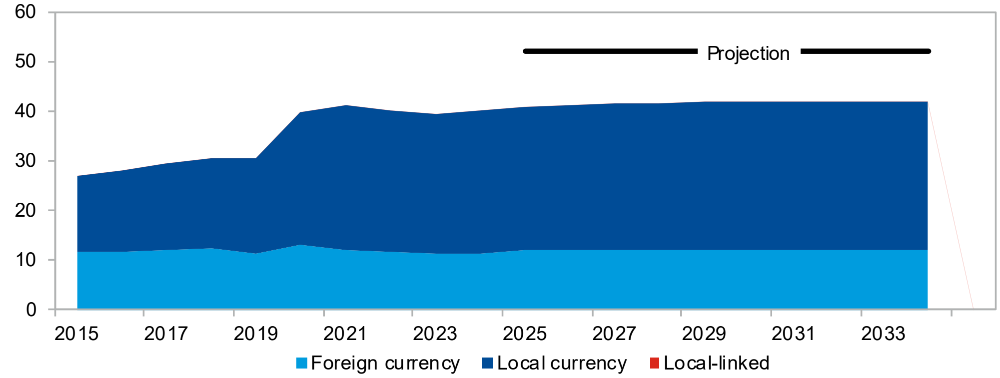
					Issuer \ Holder	Budget. central govt	Extra-budget. funds (EBFs)	Social security funds (SSFs)	State govt.	Local govt.	Nonfin. pub. corp.	Central bank	Oth. pub. fin corp	Total
CPS	NFPS	GG: expected	CG	1	Budget. central govt									0
				2	Extra-budget. funds									0
				3	Social security funds									0
				4	State govt.									0
				5	Local govt.									0
				6	Nonfin pub. corp.									0
				7	Central bank									0
				8	Oth. pub. fin. corp									0
					Total	0	0	0	0	0	0	0	0	0

1/ CG=Central government; GG=General government; NFPS=Nonfinancial public sector; PS=Public sector.
2/ Stock of arrears could be used as a proxy in the absence of accrual data on other accounts payable.
3/ Insurance, Pension, and Standardized Guarantee Schemes, typically including government employee pension liabilities.
4/ Includes accrual recording, commitment basis, due for payment, etc.
5/ Nominal value at any moment in time is the amount the debtor owes to the creditor. It reflects the value of the instrument at creation and subsequent economic flows (such as transactions, exchange rate, and other valuation changes other than market price changes, and other volume changes).
6/ The face value of a debt instrument is the undiscounted amount of principal to be paid at (or before) maturity.
7/ Market value of debt instruments is the value as if they were acquired in market transactions on the balance sheet reporting date (reference date). Only traded debt securities have observed market values.

Commentary: Coverage in this SRDSF is consolidated General Government debt, consistent with the Government Finance Statistics Manual, 2014. PPPs and public guarantees are not included. General government public debt is sourced from BI's SUSPI. This includes "Other Accounts Payable" for the Local Government, but not for the Central Government.

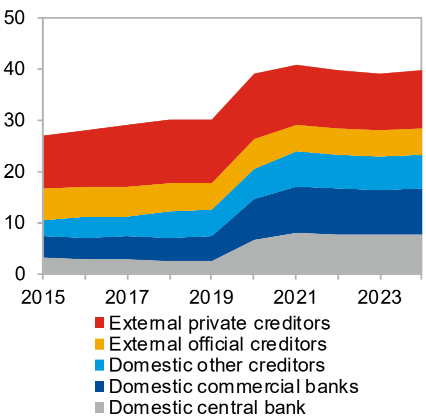
Figure 3. Indonesia: Public Debt Structure Indicators

Debt by currency (percent of GDP)



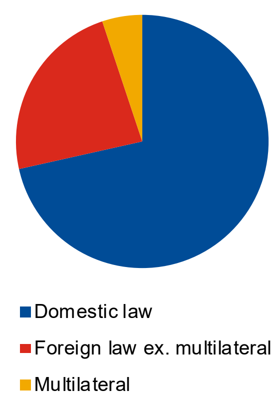
Note: The perimeter shown is general government.

Public debt by holder (percent of GDP)



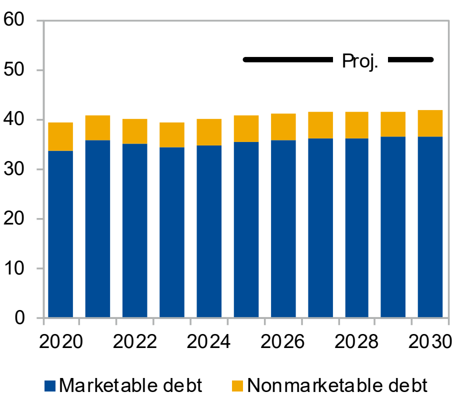
Note: The perimeter shown is general government.

Public debt by governing law, 2024 (percent)



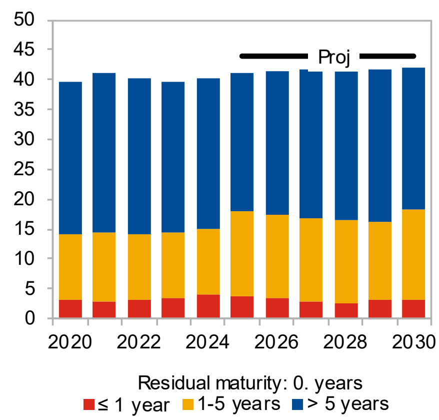
Note: The perimeter shown is general government.

Debt by instruments (percent of GDP)



Note: The perimeter shown is general government.

Public debt by maturity (percent of GDP)



Note: The perimeter shown is general government.

Commentary: The currency composition and maturity profile of public debt are expected to remain about the same over the projection horizon. Domestic banks and the Central Bank (BI) increased their share of public debt holdings during the Covid years.

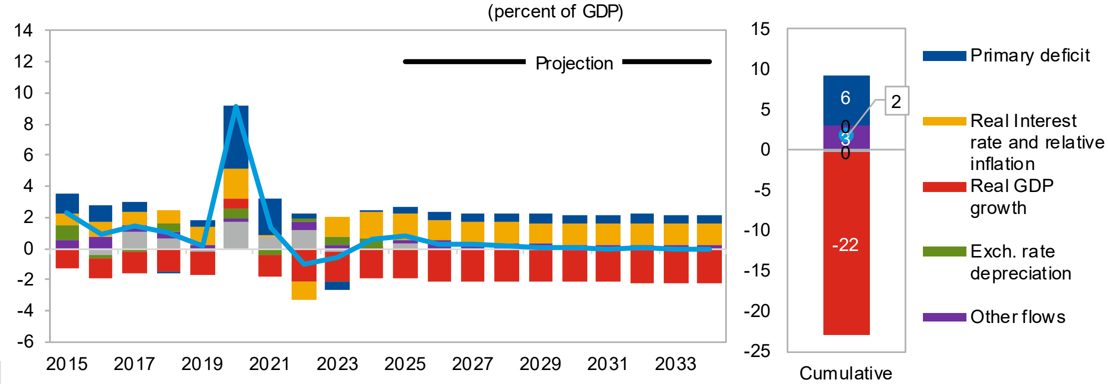
Figure 4. Indonesia: Baseline Scenario

(In percent of GDP, unless indicated otherwise)

	Actual	Medium-term projection						Extended projection			
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Public debt	40.2	41.0	41.3	41.6	41.7	41.8	41.9	41.9	41.9	41.9	41.9
Change in public debt	0.6	0.8	0.3	0.2	0.2	0.1	0.1	0.0	0.0	0.0	0.0
Contribution of identified flows	0.5	0.4	0.4	0.3	0.2	0.2	0.1	0.1	0.1	0.1	0.1
Primary deficit	0.1	0.5	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Noninterest revenues	14.5	13.7	13.7	13.8	13.9	14.1	14.2	14.3	14.3	14.3	14.3
Noninterest expenditures	14.6	14.1	14.3	14.3	14.5	14.6	14.7	14.9	14.9	14.9	14.9
Automatic debt dynamics	0.4	-0.3	-0.7	-0.6	-0.7	-0.7	-0.7	-0.8	-0.7	-0.7	-0.7
Real interest rate and relative inflation	1.7	1.7	1.2	1.4	1.4	1.3	1.3	1.3	1.4	1.4	1.4
Real interest rate	1.9	1.6	1.1	1.3	1.3	1.3	1.3	1.2	1.3	1.4	1.4
Relative inflation	-0.2	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0
Real growth rate	-1.9	-1.9	-2.0	-2.0	-2.0	-2.1	-2.1	-2.1	-2.1	-2.1	-2.1
Real exchange rate	0.6	…	…	…	…	…	…	…	…	…	…
Other identified flows	0.0	0.2	0.6	0.4	0.3	0.3	0.3	0.3	0.2	0.2	0.2
Contingent liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(minus) Interest Revenues	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other transactions	0.0	0.2	0.6	0.4	0.3	0.3	0.3	0.3	0.2	0.2	0.2
Contribution of residual	0.1	0.4	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Gross financing needs	5.5	6.5	6.4	6.0	5.5	5.2	5.9	5.7	5.5	5.3	5.1
of which: debt service	5.4	6.0	5.8	5.4	4.9	4.6	5.3	5.2	5.0	4.7	4.5
Local currency	3.8	4.5	4.5	4.0	3.6	3.5	4.0	3.9	3.8	3.6	3.4
Foreign currency	1.6	1.5	1.3	1.4	1.3	1.1	1.3	1.3	1.2	1.1	1.1
Memo:											
Real GDP growth (percent)	5.0	5.0	5.1	5.1	5.2	5.2	5.2	5.2	5.2	5.2	5.2
Inflation (GDP deflator; percent)	0.9	1.9	3.0	2.5	2.5	2.5	2.5	2.5	2.5	2.4	2.3
Nominal GDP growth (percent)	6.0	7.0	8.2	7.7	7.8	7.8	7.9	7.9	7.9	7.9	7.9
Effective interest rate (percent)	5.9	6.3	6.0	5.9	5.9	5.8	5.8	5.7	5.9	5.9	5.8

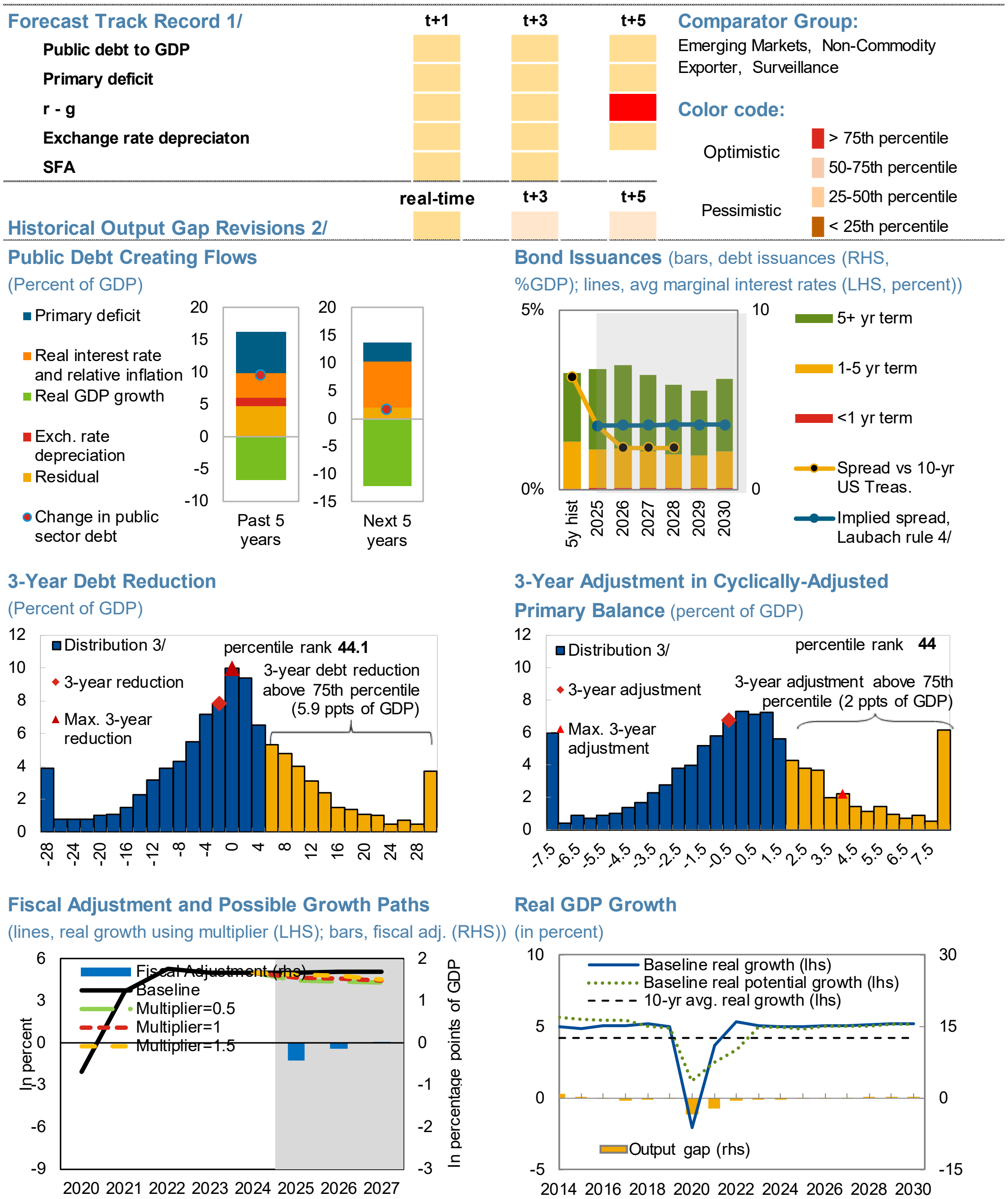
Contribution to change in public debt

(percent of GDP)



Commentary: Public debt is expected to increase modestly in 2025 but will stabilize gradually over the medium terrm, mostly due to a favorable interest-growth differential. Gross financing needs are expected to remain manageable averaging around 5½ percent of GDP over the medium-term.

Figure 5. Indonesia: Realism of Baseline Assumptions



Commentary: Realism analysis does not point to major concerns. Forecast errors show some signs of past optimism in the underlying debt creating flows, but this is largely influenced by unexpectd outcomes during the Covid years. The projected 3-year fiscal adjustment and 3-year debt reduction are well within norms, and the real GDP growth path is broadly in line with the assumed fiscal adjustment and potential growth.

Source : IMF Staff.

1/ Projections made in the October and April WEO vintage.

2/ Calculated as the percentile rank of the country's output gap revisions (defined as the difference between real time/period ahead estimates

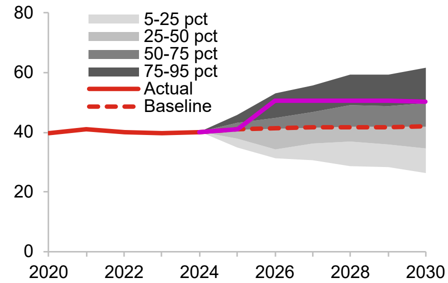
3/ Data cover annual obervations from 1990 to 2019 for MAC advanced and emerging economies. Percent of sample on vertical axis.

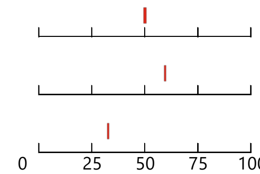
4/ The Laubach (2009) rule is a linear rule assuming bond spreads increase by about 4 bps in response to a 1 ppt increase in the projected debt-to-GDP ratio.

Figure 6. Indonesia: Medium-Term Assessment

	Value	Contrib [1/]	Percentile in peer group [2/]
Debt fanchart module			
Fanchart width *(percent of GDP)*	35.3	0.5	
Probability of debt non-stabilizaiton *(percent)*	41.1	0.3	
Terminal debt-to-GDP x institutions index	21.4	0.5	
Debt fanchart index (DFI)		1.3	
Risk signal: [3/]		Moderate	

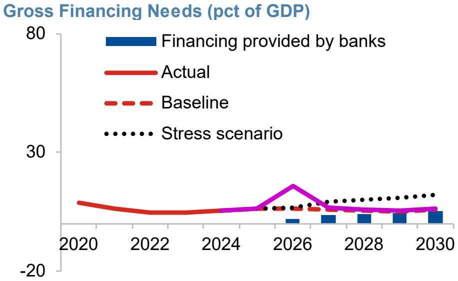
Final Fanchart (pct of GDP)

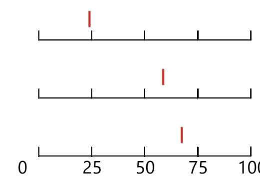




	Value	Contrib [1/]	Percentile in peer group [2/]
Gross financing needs (GFN) module			
Average baseline GFN *(percent of GDP)*	5.9	2.0	
Initial Banks' claims on the gen. govt *(pct bank assets)*	11.2	3.6	
Chg. In banks' claims in stress *(pct banks' assets)*	15.2	5.1	
GFN financeability index (GFI)	10.7		
Risk signal: [4/]		Moderate	

Gross Financing Needs (pct of GDP)

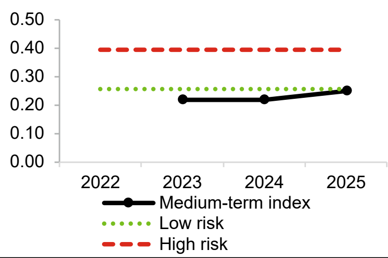




Triggered stress tests (stress tests not activated in gray)

Banking crisis | Commodity prices | Exchange rate | Contingent liab. | Natural disaster

Medium-Term Index (index number)



Medium-term risk analysis

	Value	Value (normalized)	Weight	Contribution
Debt fanchart index	1.3	0.3	0.5	0.1
GFN finaceability index	10.7	0.2	0.5	0.1
Medium-term index		0.2		
Risk signal: 5/		Low		
Final assessment:		Low		

Prob. of missed crisis, 2025-2030, if stress not predicted: 9.1 pct.
Prob. of false alarms, 2025-2030, if stress predicted: 42.0 pct.

Commentary: The Debt Fanchart Module indicates an adequate balance of risks around the projected debt baseline. For the GFN Financeability Module, a combination of low GFNs and an initial high bank exposure to the government, result in moderate risks under a macro-fiscal and debt holder shock. Mitigating factors include a declining share of foreign holdings of local-currency debt, and cash buffers. Taken together, the MTI produces an aggregate mechanical "low" signal (just below the threshold).

Source: IMF staff estimates and projections.

1/ See Annex IV of IMF, 2022, Staff Guidance Note on the Sovereign Risk and Debt Sustainability Framework for details on index calculation.
2/ The comparison group is emerging markets, non-commodity exporter, surveillance.
3/ The signal is low risk if the DFI is below 1.13; high risk if the DFI is above 2.08; and otherwise, it is moderate risk.
4/ The signal is low risk if the GFI is below 7.6; high risk if the DFI is above 17.9; and otherwise, it is moderate risk.
5/ The signal is low risk if the GFI is below 0.26; high risk if the DFI is above 0.40; and otherwise, it is moderate risk.

Figure 7. Indonesia: Long-Term Risk Assessment: Large Amortization

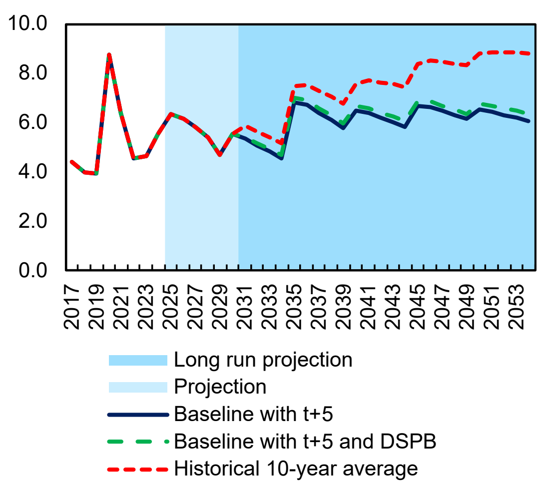
Triggered Modules

Large amortizations	Pensions	**Climate change: Adaptation**	**Natural Resources**
	Health	**Climate change: Mitigation**	

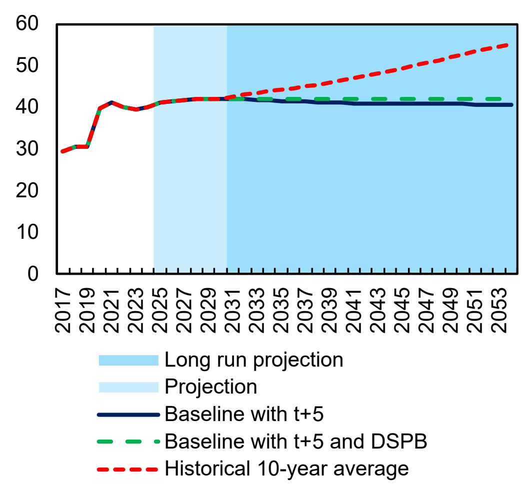
Long-Term Risk Assessment: Large Amortization

Projection	**Variable**	**Risk Indication**
Medium-term extrapolation	GFN-to-GDP ratio	
	Amortization-to-GDP ratio	
	Amortization	
Medium-term extrapolation with debt stabilizing primary balance	GFN-to-GDP ratio	
	Amortization-to-GDP ratio	
	Amortization	
Historical average assumptions	GFN-to-GDP ratio	
	Amortization-to-GDP ratio	
	Amortization	
Overall Risk Indication		

GFN-to-GDP Ratio

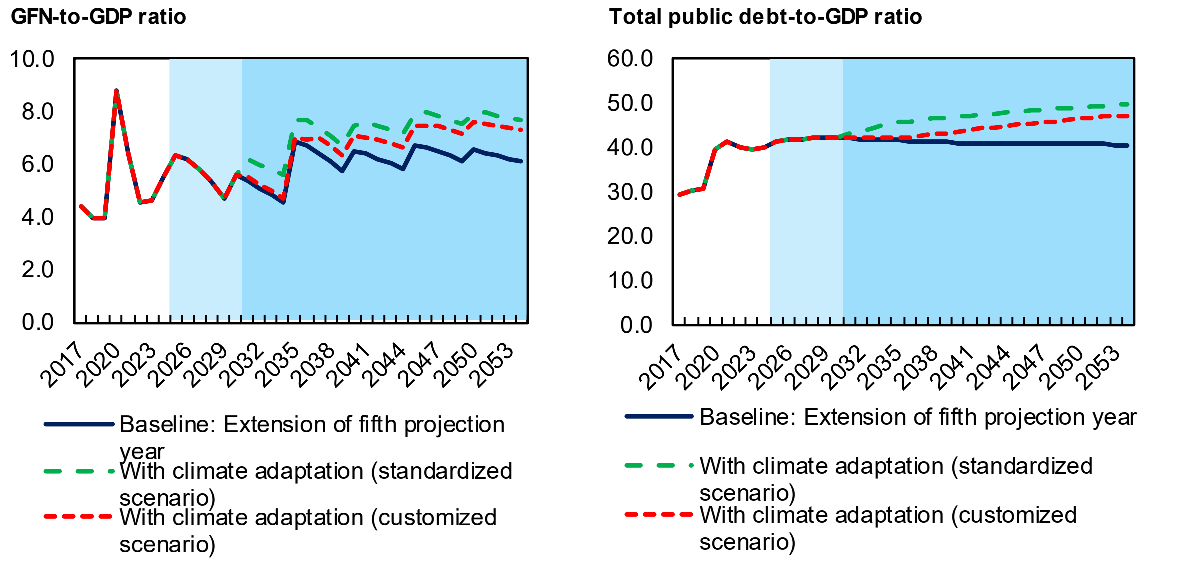


Total Public Debt-to-GDP Ratio



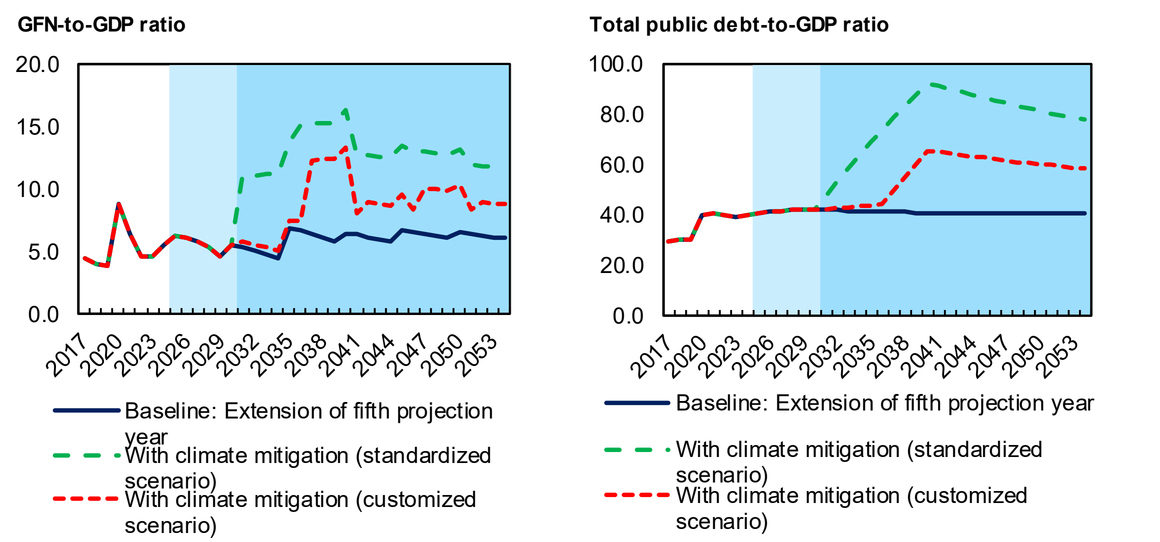
Commentary: Indonesia's climate adaptation investment is estimated to about 0.8 percent of GDP per year over the long-term (Aligishiev, Bellon and Massetti (2022) and ESCAP (2019)). Indonesia is among the top 25 countries in terms of emissions per output.Fiscal reforms to create fiscal space will be critical over the longer run for Indonesia.

Figure 8. Indonesia: Long-Term Risk Assessment: Climate Adaptation



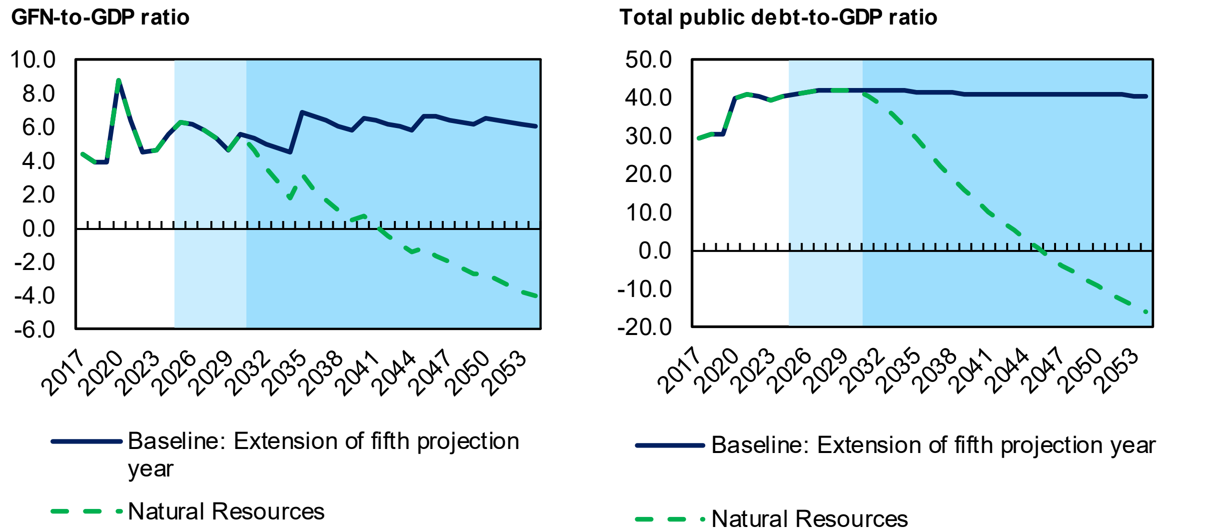
Commentary: NA.

Figure 9. Indonesia: Long-Term Risk Assessment: Climate Mitigation



Commentary: The scenarios are based on investment needs per year for a 10 year period to reach zero net carbon emissions by 2050.It assumes that the public sector makes all the investments needed to reach net zero by 2050. To the extent that some of these investments are done by the private sector or that these public investments are substituted by less costly mitigation policies, the impact on debt and GFN would be lower.

Figure 10. Indonesia: Long-Term Risk Assessment: Natural Resources



Commentary: The natural resource module is triggered as extraction volumes over a six-to-fifteen year horizon are expected to deviate from historical averages.

Annex IV. Data Issues[1]

Table 1. Indonesia: Data Adequacy for Surveillance

Data Adequacy Assessment Rating 1/

B

Questionnaire Results 2/

Assessment	National Accounts	Prices	Government Finance Statistics	External Sector Statistics	Monetary and Financial Statistics	Inter-sectoral Consistency	Median Rating
	B	B	A	B	A	B	B

Detailed Questionnaire Results

Data Quality Characteristics	National Accounts	Prices	Government Finance Statistics	External Sector Statistics	Monetary and Financial Statistics	Inter-sectoral Consistency
Coverage	C	B	B	B	A	
Granularity 3/	B		A	A	A	
			A		A	
Consistency			B	B		B
Frequency and Timeliness	A	A	A	A	A	

Note: When the questionnaire does not include a question on a specific dimension of data quality for a sector, the corresponding cell is blank.
1/ The overall data adequacy assessment is based on staff's assessment of the adequacy of the country's data for conducting analysis and formulating policy advice, and takes into consideration country-specific characteristics.
2/ The overall questionnaire assessment and the assessments for individual sectors reported in the heatmap are based on a standardized questionnaire and scoring system (see IMF *Review of the Framework for Data Adequacy Assessment for Surveillance* , January 2024, Appendix I).
3/ The top cell for "Granularity" of Government Finance Statistics shows staff's assessment of the granularity of the reported government operations data, while the bottom cell shows that of public debt statistics. The top cell for "Granularity" of Monetary and Financial Statistics shows staff's assessment of the granularity of the reported Monetary and Financial Statistics data, while the bottom cell shows that of the Financial Soundness indicators.

A	The data provided to the Fund are adequate for surveillance.
B	The data provided to the Fund have some shortcomings but are broadly adequate for surveillance.
C	The data provided to the Fund have some shortcomings that somewhat hamper surveillance.
D	The data provided to the Fund have serious shortcomings that significantly hamper surveillance.

Rationale for staff assessment. Data provision is broadly adequate for surveillance. However, some shortcomings remain on the areas of national accounts, external, price and fiscal statistics. The "C" assessment on coverage of National Accounts data reflects the need for an updated base year (currently 2010), while the lack of granularity resides in absence of a breakdown of investment data in national accounts between public and private and the absence of seasonally adjusted quarterly national accounts. Staff's assessment in the other categories reflects, among others, the remaining differential between the household consumption expenditure deflator and inflation, the coverage of fiscal data, the remaining (albeit declining) inconsistencies between the national accounts and BOP trade data, lack of breakdown in external sector data, and the presence of small negative net errors and omissions in BOP (averaging -0.1 percent of GDP in the last 5 years). Authorities clarified that the remaining gap between the household consumption deflator and inflation (that explains the "B" assessment in the coverage category of Prices data) is imputable to the difference in the coverage of goods considered for both price indices (broader for the household consumption deflator).

Changes since the last Article IV consultation. Notable positive developments since the last AIV include the impending switch from semi-annual to quarterly and prompter publication of labor statistics (starting Q1 2026), which addresses one of the data gaps identified in the last AIV. Authorities also published in December 2024 an annual, historical breakdown of investment by institutional sector (private, government and SoEs) and by sector, up to 2022.

Corrective actions and capacity development priorities. Authorities are working on improving the quality of their statistics. Beyond progress underlined above, they are working on the GDP rebasing, with first publication of the rebased GDP expected in early 2027 (with a 2025 base year). They are also working on the gap between National Accounts and BoP data, that has been declining over time. Authorities have also expressed interest in working towards a gradual adoption of standards in the 7th edition of the Balance of Payments Manual (BPM7) and the System of National Statistics 2025 (SNA 2025). Authorities' work towards these objectives could be supported through Technical Assistance. Going forward, resuming publication of the inflation expectation survey would support their monitoring and assist to the effectiveness of monetary policy.

Use of data and/or estimates different from official statistics in the Article IV consultation. For nominal and real effective exchange rate (NEER and REER) data staff uses IMF calculated data instead of authorities' as the methodology used is consistent for all member countries.

Other data gaps. No additional data gaps possibly hampering surveillance have been identified.

[1] Prepared by Agnes Isnawangsih and Shutong Niu (APD).

Table 2. Indonesia: Data Standards Initiatives

Indonesia subscribes to the Special Data Dissemination Standard (SDDS) since September 1996 and publishes the data on its National Summary Data Page. The latest SDDS Annual Observance Report is available on the Dissemination Standards Bulletin Board (https://dsbb.imf.org/).

Table 3. Indonesia: Table of Common Indicators Required for Surveillance

As of December 15, 2025

	Data Provision to the Fund				Publication under the Data Standards Initiatives through the National Summary Data Page			
	Date of Latest Observation	Date Received	Frequency of Data[6]	Frequency of Reporting[6]	Expected Frequency[6,7]	Indonesia[8]	Expected Timeliness[6,7]	Indonesia[8]
Exchange Rates	15-Dec-25	15-Dec-25	D	D	D	D	...	D
International Reserve Assets and Reserve Liabilities of the Monetary Authorities[1]	Sep-25	Nov-25	M	M	M	M	1W	NLT 1M
Reserve/Base Money	Sep-25	Nov-25	W	W	M	W	2W	1W
Broad Money	Sep-25	Nov-25	M	M	M	M	1M	NLT 1M
Central Bank Balance Sheet	Sep-25	Nov-25	M	M	M	W	2W	1W
Consolidated Balance Sheet of the Banking System	Sep-25	Nov-25	M	M	M	M	1M	NLT 1M
Interest Rates[2]	15-Dec-25	15-Dec-25	D	D	D	M	...	1M
Consumer Price Index	Nov-25	Dec-25	M	M	M	M	1M	1D
Revenue, Expenditure, Balance and Composition of Financing[3]–General Government[4]	2024	Dec-25	A	A	A	A	2Q	10M
Revenue, Expenditure, Balance and Composition of Financing[3]–Central Government	Oct-25	Nov-25	M	M	M	M	1M	1M
Stocks of Central Government and Central Government-Guaranteed Debt[5]	Jun-25	Aug-25	Q	Q	Q	Q	1Q	NLT 1Q
External Current Account Balance	Sep-25	Nov-25	Q	Q	Q	Q	1Q	1Q
Exports and Imports of Goods and Services	Sep-25	Nov-25	Q	Q	M	M	8W	NLT 33D
GDP/GNP	Sep-25	Nov-25	Q	Q	Q	Q	1Q	35D
Gross External Debt	Sep-25	Nov-25	Q	Q	Q	Q	1Q	NLT 1Q
International Investment Position	Sep-25	Dec-25	Q	Q	Q	Q	1Q	1Q

[1] Includes reserve assets pledged or otherwise encumbered, as well as net derivative positions.

[2] Both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.

[3] Foreign, domestic bank, and domestic nonbank financing.

[4] The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.

[5] Including currency and maturity composition.

[6] Frequency and timeliness: ("D") daily; ("W") weekly or with a lag of no more than one week after the reference date; ("M") monthly or with lag of no more than one month after the reference date; ("Q") quarterly or with lag of no more than one quarter after the reference date; ("A") annual.; ("SA") semiannual; ("I") irregular; ("NA") not available or not applicable; and ("NLT") not later than.

[7] Encouraged frequency of data and timeliness of reporting under the e-GDDS and required frequency of data and timeliness of reporting under the SDDS and SDDS Plus. Any flexibility options or transition plans used under the SDDS or SDDS Plus are not reflected. For those countries that do not participate in the IMF Data Standards Initiatives, the required frequency and timeliness under the SDDS are shown for New Zealand, and the encouraged frequency and timeliness under the e-GDDS are shown for Eritrea, Nauru, South Sudan, and Turkmenistan.

[8] Based on the information from the Summary of Observance for SDDS and SDDS Plus participants, and the Summary of Dissemination Practices for e-GDDS participants, available from the IMF Dissemination Standards Bulletin Board (https://dsbb.imf.org/). For those countries that do not participate in the Data Standards Initiatives, as well as those that do have a National Data Summary Page, the entries are shown as "..."

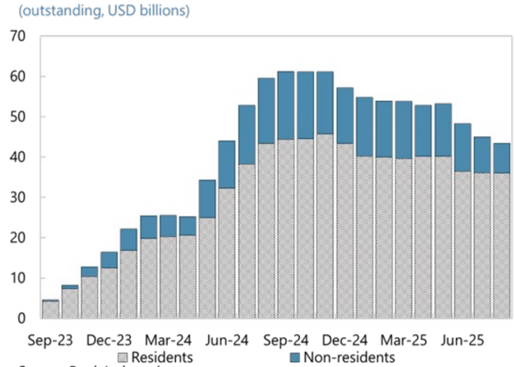
Annex V. BI's Toolkit—Official Security Markets[1]

1. **BI has broadened its tools for open market operations over time**. Monetary policy uses a mix of levers, such as the policy rate and liquidity management tools,[2] including open market operations based on local-currency (LC)-denominated official securities. The latter has been reshaped over the last five years, including both Treasuries held in BI's balance sheet, and a new set of central bank issued short-term securities, with the stated purpose of deepening the money market and attracting foreign capital inflows in the form of portfolio investment.

BI's Liabilities: Instruments to Support Operations and Market Development

2. **On the liabilities side, in late 2023, BI introduced four short-term BI-issued securities**. Two are LC-denominated, and two in foreign currency (FC); each has a traditional and an Islamic finance- version. The most prominent are the BI Rupiah Securities (SRBI)—a conventional LC security which uses BI's holding of government securities as the underlying instrument. It is used to manage the short-end of the yield curve, supporting liquidity and market development.

3. **The SRBI has been successfully traded since its launch**. It has attracted both domestic investors and portfolio inflows, buttressing FX reserves. Its yield has become an important reference point on the broader monetary policy stance. Over the first year, issuance was stepped up. Through 2025, the focus has shifted into further supporting credit, with BI injecting liquidity by tapering off SRBI issuances.



Source: Bank Indonesia

4. **Cross-country experiences provide some lessons that may help further shape the ongoing role of the SRBI**. Cross-country best practices on central bank securities (Gray and Pongsaparn, 2015), and a survey of IMF desks covering Indonesia's EM peers,[3] point to several key findings:

- ***Many inflation-targeting central banks use their own securities*** to manage liquidity to support the transmission of the policy rate, especially in the context of excess reserve balances and where the supply of T-bills was constrained relative to the central bank's operational needs.

- ***Many central banks have used their securities to promote yield curve formation*** and market development as a secondary objective. The interest payments on these instruments come with

[1] Prepared by Ashique Habib, Raju Huidrom, Akshat Singh, and Jionglin Andy Zheng.

[2] BI's Policy Mix Model also includes FXI to manage exchange rate volatility, and MPPs, among other tools.

[3] Includes ASEAN peers and major issuers such as Korea and Chile.

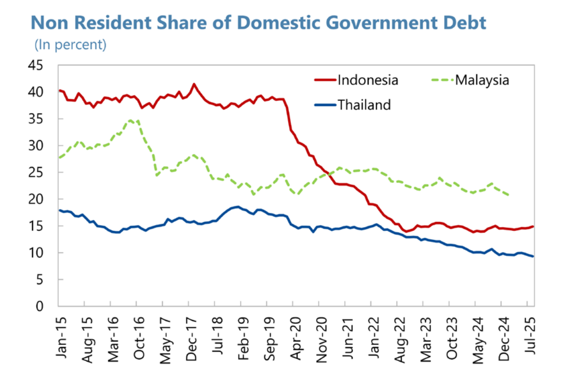
some costs for the central bank, and indirectly to the government through lower central bank dividends.

- ***For liquidity management and market development, careful design and operational practices are key to success***. Tenor choice should target the market segment to be developed, coordinated with the Treasury to avoid crowding out. Defining the eligible investor base should balance the benefits of breadth (higher competition boosts lending rate transmission) against costs (crowding out and fragmentation risks). Central bank-Treasury coordination (liquidity forecasting, issuance schedule) is critical to smooth market operations and absorption.

5. **Indonesia's CB securities—including the SRBI—are focused on short tenors**. This seems appropriate, as the usual rationale for issuing at longer tenors (absorbing structural liquidity, or insufficient T-bonds) does not appear to be relevant for Indonesia. The goal of attracting portfolio flows is rare amongst peers; given the substantial domestic investor base for the SRBI, ensuring attractive yields for non-residents may offer tradeoffs vis-à-vis the need to manage liquidity.

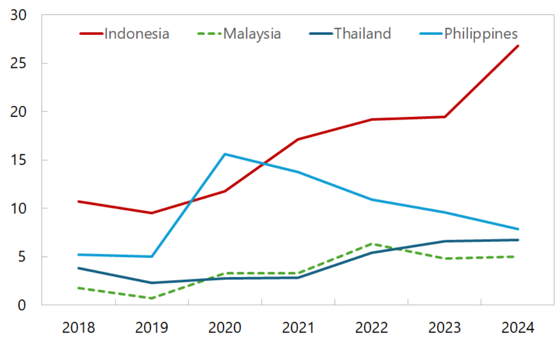
BI's Assets: Shifting Distributions of Government Securities Holdings

6. **Asset-side holdings of Treasury securities expanded in 2020-23**. BI holdings rose sharply with the acquisition of pandemic-era Treasury (non-marketable) securities at reduced interest costs. These were underpinned by a series of "burden-sharing" and "coordination" agreements between BI and the MoF that provided emergency financing in 2020-22 (2022 Article IV Staff Report, Annex VII). BI purchases helped mitigate the impact of a retrenchment of non-resident investors from Indonesian markets. The share of government securities in BI's balance sheet peaked in 2022 (at about 40 percent of total assets) and has been partially unwound to ~35 percent, exceeding pre-pandemic levels (under 20 percent). In Indonesia, holdings by insurance and pension funds (i.e. non-banks) are about 19 percent, compared with an average of about 40 percent in other ASEAN countries (ADB, 2025), suggesting opportunities for re-composition, including as financial markets continue deepening.



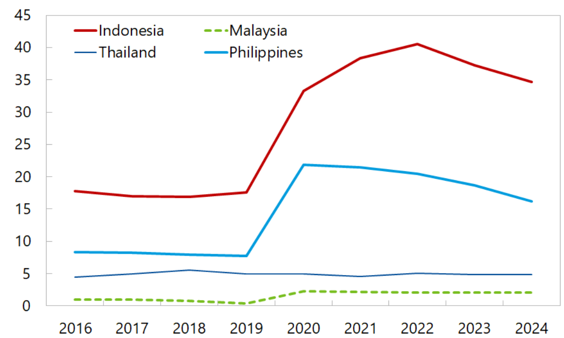
Sources: Haver Analytics; and IMF staff calculations.

Share of Government Debt Held by Central Bank
(In percent)



Sources: IMF, Central Bank Statistics; and IMF staff calculations.

Claims on Central Government as a Share of CB Assets
(In percent)



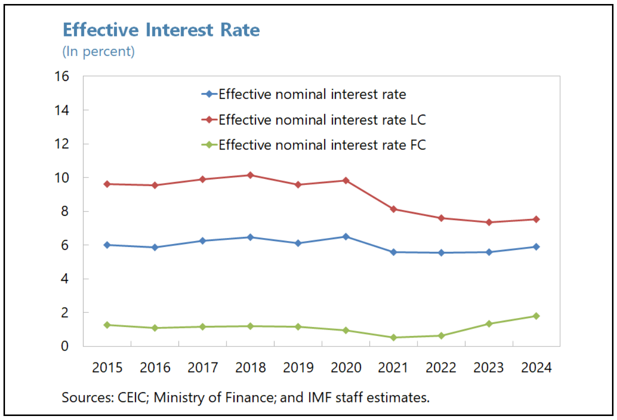
Sources: IMF, Central Bank Statistics; and IMF staff calculations.

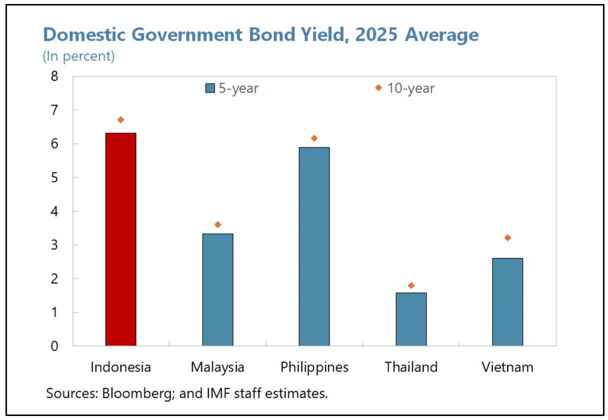
7. BI's position in the LC government debt market offers some tradeoffs. The reduced participation of non-residents in the LC market (and its current counterpart of BI's increased holdings), helps soften the transmission of global shocks to yields (GFSR, 2025). On the flipside, a large central bank presence in the market may hamper price discovery and could eventually disincentivize the return of non-resident investors, reducing market depth and strengthening the bank-sovereign nexus (though risks in Indonesia appear well-contained). Moreover, with other holders largely in the domestic financial system, unwinding central bank holdings would require a carefully calibrated exercise, to avoid market disruptions and/or risks of crowding out private sector lending. Alongside implications for BI's balance sheet, the shifts in government securities holdings raise broader sovereign debt management considerations (Box 1).

8. Over the medium term, continuing efforts to foster private participation and diversification of the investor base for LC securities will be key. The gradual debt switch of maturing pandemic-era purchases to marketable securities of varying tenors constitutes an important step, enabling a well calibrated tapering by BI to lower and manage risks. On diversification, non-residents could play an increased role, as the SRBI has shown appetite for attractively-priced public securities. Continuing ongoing (and welcome) efforts to deepen the domestic financial market, build a reliable short-term yield curve to better align money and bond market rates, avoiding fragmentation, and deepening the institutional investor sector will be key to enhance absorption capacity of official securities. Coordination with the government on the objectives, design, and issuance of securities will help to ensure successful liquidity management, market development, reserves management, and avoid fragmentation and crowding out.

Box 1. Government Borrowing Costs and Debt Issuance Mix

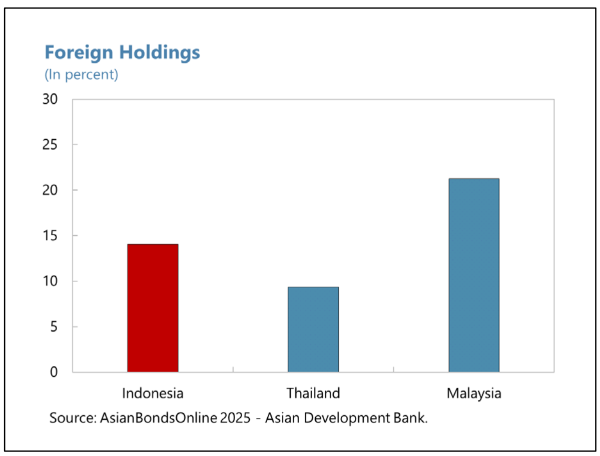
Indonesia's sovereign domestic borrowing cost is relatively high. The nominal effective interest rate on LC government debt has declined since the pandemic but remains relatively elevated (~7½ percent in 2024). While the nominal effective interest rate on FC is low, the high share of domestic borrowing (around two-thirds) implies that the overall nominal effective interest rate is high, around 6 percent. The domestic government nominal bond yields in Indonesia are high relative to ASEAN peers, including on the 5-year and 10-year (i.e., the average tenor). While higher fiscal deficits and debt levels—through larger issuance—tend to raise long-term interest rates (Kumar and Baldacci, 2010), this may not be a dominant factor for Indonesia given its relatively low public debt-to-GDP ratio of around 40 percent.





Beyond differences in risk perception by investors, the literature highlights the composition of the investor base as a determinant of borrowing costs:

- **Resident versus non-resident**: Greater foreign participation in the domestic government bond market tends to reduce long-term yields (Arslanalp and Tsuda, 2014; Ebeke and Lu, 2014; Peiris, 2010; Lu and Yakovlev, 2017). While the retrenchment of non-resident investors from LC markets has been a global trend, in Indonesia, the non-resident share of rupiah bonds fell more sharply than elsewhere in the region (from 39 percent in 2019: Q4 to 14 percent in 2025: Q3). That said, the final share of non-resident participation does not stand out as low compared with peers (also see ADB (2025)).



- **Bank versus non-bank**: Domestic banks and non-banks tend to absorb most of LC debt when the non-resident holdings decline (as in Indonesia). When the non-resident share of LC debt drops sharply, the role of domestic non-banks becomes even more important (Selected Issues Paper, 2023). Greater participation by (private) non-bank investors helps absorb debt supply and contains yield increases when issuance rises (Fang and others, 2024).

Drawing from the literature, the debt issuance mix offers various trade-offs. In particular:

- **For EMDEs, excessive external/FC borrowing raises risks**, heightening exposure to FX volatility, rollover pressures, and sudden stops (Hur and Kondo, 2016; Calvo, Izquierdo, and Talvi, 2003); domestic borrowing helps reduce currency mismatches and provides greater insulation from global shocks.

Box 1. Government Borrowing Costs and Debt Issuance Mix (Concluded)

- **However, overreliance on domestic financing carries its own weaknesses**. It may crowd out private credit, tighten bank liquidity, and strengthen the sovereign–bank nexus. Önder and others (2024) confirm a crowding-out channel of government borrowing to corporates, particularly pronounced during episodes of high government debt. Heavy reliance on captive investors such as banks and the central bank can also heighten financial stability risks and limit market absorption capacity (GFSR, 2025).
- **Indonesia's mix seeks to actively manage these tradeoffs**. Most public debt (~70 percent) is issued domestically in LC. There are increasing efforts to diversify the external/FC borrowing, and manage FX risks; having issued its first series of renminbi ("Dim Sum") and Australian dollar–denominated ("Kangaroo") bonds.

Annex VI. Monetary Policy Transmission in Indonesia[1]

Indonesia's sustained growth and resilience have been supported by prudent macroeconomic policies. However, the impact of monetary policy ultimately depends on how effectively changes in policy rates are transmitted throughout the economy. Examining the channels through which monetary policy operates—such as the exchange rate, credit, and asset price channels—provides valuable insights for policymakers seeking to promote price stability and sustainable growth. In this annex, we empirically identify monetary policy shocks for Indonesia and analyze the channels through which monetary policy is transmitted. Importantly, we find that monetary policy effectiveness is strongly influenced by consumer confidence in Indonesia, with higher confidence strengthening its impact.

1. **Identification of Monetary Policy Shock**: Monetary policy decisions are typically endogenous, responding to current or anticipated economic conditions. To isolate the causal effect of monetary policy, we follow the methodology of Romer and Romer (2004), extracting the component of short-term interest rate changes not driven by the exchange rate, US Federal Funds rate, and central bank's expectations about inflation and growth.

$$\Delta i_m = \beta_0 + \beta_1 i_{m-1} + \sum_{k=0}^{1} \delta_k^{\pi} \pi_{m,t+k} + \sum_{k=0}^{1} \delta_k^{y} y_{m,t+k} + \beta_2 E_{m-1} + \eta_m^{MP}$$

where Δi_m represents the change in the Jakarta Interbank Offered Rate (JIBOR)[2] in month *m* and i_{m-1} denotes the level of the JIBOR in the previous month. $\pi_{m,t+k}$ and $y_{m,t+k}$ denote the inflation and growth forecasts for the current year ($k = 0$) and the next year ($k = 1$) in month *m* respectively. E_{m-1} is the IDR nominal effective exchange rate for the previous month. Data for inflation and growth forecasts are taken from consensus forecasts for the corresponding month of each meeting. We also include nominal effective exchange rate of Indonesia and the US Federal Funds rate in the specification. The residual η_t^{MP} is interpreted as the monetary policy shock in month *m*, representing the unexpected change in the short-term rate. Results indicate that Bank Indonesia tends to raise short-term rates when higher inflation is anticipated for the following year. Monthly estimates of monetary policy shocks are constructed for the period July 2005 to August 2025, consistent with the adoption of the inflation targeting framework. These shocks form the basis for the subsequent empirical analysis.

2. **Monetary Policy Transmission**: We use these estimated shocks to examine the strength of monetary transmission to inflation and output in Indonesia:

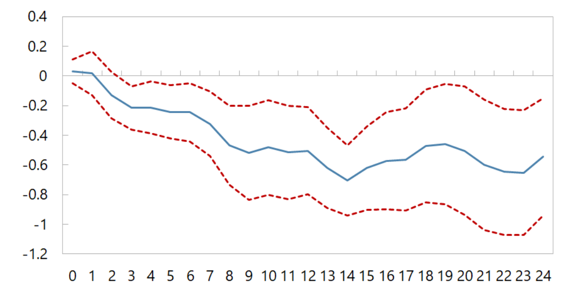
$$Y_{t+h} - Y_{t-1} = \gamma_0^h + \gamma^h \eta_t^{MP} + \epsilon_{t+h}$$

[1] Prepared by Akshat Singh.

[2] Results are also robust to using IndONIA since its introduction in 2018.

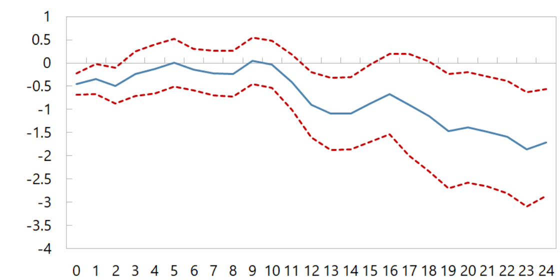
Y_{t+h} denotes the outcome variable at time $t+h$, where h is the horizon (0 to 24 months). Outcome variables are measured as deviations relative to their initial level in the month preceding the shock. We focus on the consumer price index and industrial production index, the latter serving as a high-frequency proxy for output.

Consumer Price Index
(In percent)



Source: IMF staff calculations.
Notes: Y axis shows the percent deviation relative to the month preceding the shock. X axis shows months since realization of the shock. The black line shows the coefficent of interest and the dashed lines show the 90 percent error bands.

Industrial Production Index
(In percent)



Source: IMF staff calculations.
Notes: Y axis shows the percent deviation relative to the month preceding the shock. X axis shows months since realization of the shock. The black line shows the coefficent of interest and the dashed lines show the 90 percent error bands.

A 100-basis point increase in JIBOR leads to a peak decline in inflation of 0.6 percentage points and a peak decline in output of 2 percent. The response in inflation becomes significant after approximately 8 months, while output reacts with a lag of about 12 months. The transmission to inflation is somewhat stronger than the 0.5 percentage point peak decline observed for Vietnam (Diez et al., 2024), but weaker than the 2 percentage point decline reported for Malaysia (Eklou, 2023). The output response in Indonesia is broadly comparable to these countries.

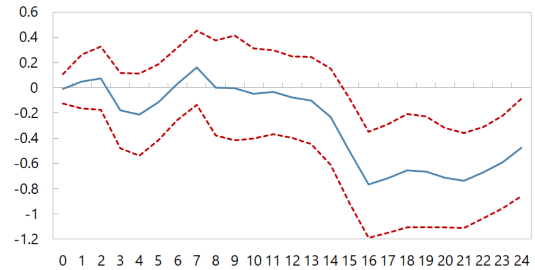
3. Channels of Transmission: Three key channels highlighted in the literature are the exchange rate, bank lending (credit), and asset price channels. The exchange rate channel is particularly relevant for emerging markets: higher domestic rates lead to currency appreciation, lowering inflation by reducing the prices of tradable goods. Currency appreciation can also negatively impact industrial production by reducing net exports and aggregate demand. The credit channel operates via lower deposits and liquidity in the banking system in response to contractionary monetary policy, leading to reduced lending. The asset price channel functions as higher interest rates increase the discount factor for future income, reducing expected cash flows and stock returns, which dampens consumption through wealth effects.

$$Y_{t+h}-Y_{t-1}=\alpha^h+\theta^h\eta_t^{MP}\Delta ln(NEER)_t+\mu^h\eta_t^{MP}STM_t+\rho^h\eta_t^{MP}\Delta BLR_t+\sum_{j=0}^{J}\phi_j^h X_{t-j}+\zeta_{t+h}$$

where $\Delta(NEER)_t$ is the change in the logarithm of the nominal effective exchange rate. STM_t is the year-on-year growth rate of the stock market index. ΔBLR_t is the change in commercial banks' base lending rate. X_{t-j} is a set of control variables, including lagged values of the dependent variable, monetary policy shock, proxy for foreign exchange intervention (monthly decline in gross investment reserves), US monetary policy uncertainty, and the VIX index. ζ_{t+h} is the error term. In the subsequent results, the three channel variables are normalized so that one unit corresponds to a one standard deviation change in $NEER_t$ (a 1.94 percent appreciation), the 25th percentile of stock market index growth for Indonesia (–0.75 percent), and a one standard deviation increase in the base lending rate (12 basis points). These values, based on Eklou (2023), are chosen to mimic the impact response of these variables to a 100-basis point monetary policy shock.

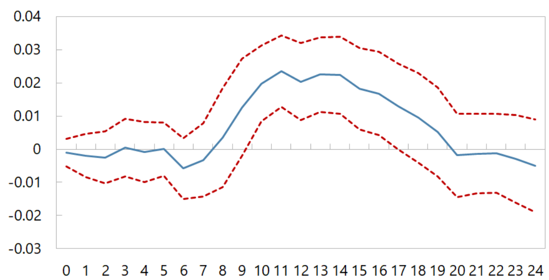
4. Channels of transmission to consumer prices: The exchange rate and credit channels are the most significant pathways for monetary policy transmission to consumer prices in Indonesia. At their peak, they contribute to a 0.8 pp and 1 pp decline in inflation, respectively, peaking about a year after the shock. The asset price channel has a much smaller effect. The negative impact of contractionary monetary policy shocks on stock prices may influence the supply side, potentially causing upward pressure on inflation, but this effect is minor compared to the exchange rate and credit channels.

Consumer Price Index: Exchange Rate Channel
(In percent)



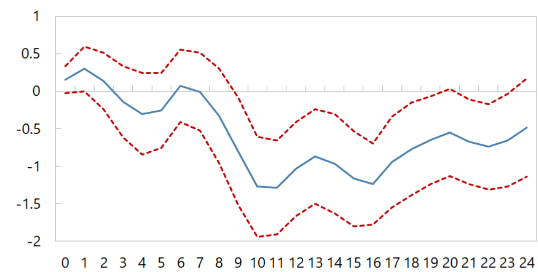
Source: IMF staff calculations.
Notes: Y axis shows the percent deviation relative to the month preceding the shock. X axis shows months since realization of the shock. The black line shows the coefficent of interest and the dashed lines show the 90 percent error bands.

Consumer Price Index: Asset Price Channel
(In percent)



Source: IMF staff calculations.
Notes: Y axis shows the percent deviation relative to the month preceding the shock. X axis shows months since realization of the shock. The black line shows the coefficent of interest and the dashed lines show the 90 percent error bands.

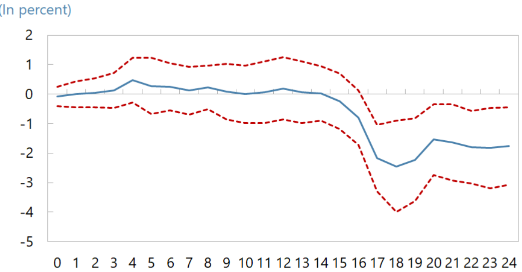
Consumer Price Index: Credit Channel
(In percent)



Source: IMF staff calculations.
Notes: Y axis shows the percent deviation relative to the month preceding the shock. X axis shows months since realization of the shock. The black line shows the coefficent of interest and the dashed lines show the 90 percent error bands.

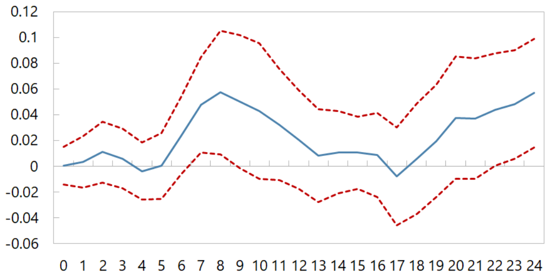
5. Channels of transmission to industrial production: Similar to inflation, the credit and exchange rate channels have the largest effects on output, with their impact peaking at close to 3 percent around the eighteenth month.

Industrial Production Index: Exchange Rate Channel
(In percent)



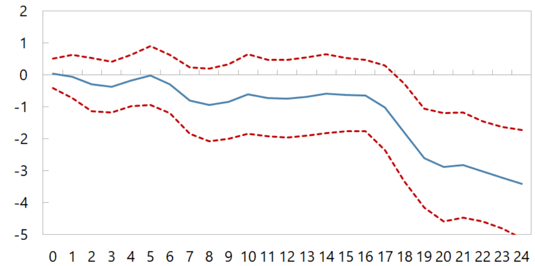
Source: IMF staff calculations.
Notes: Y axis shows the percent deviation relative to the month preceding the shock. X axis shows months since realization of the shock. The black line shows the coefficent of interest and the dashed lines show the 90 percent error bands.

Industrial Production Index: Asset Price Channel
(In percent)



Source: IMF staff calculations.
Notes: Y axis shows the percent deviation relative to the month preceding the shock. X axis shows months since realization of the shock. The black line shows the coefficent of interest and the dashed lines show the 90 percent error bands.

Industrial Production Index: Credit Channel
(In percent)

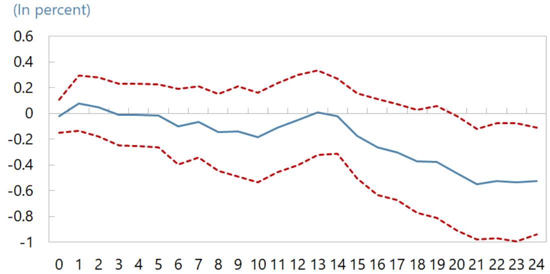


Source: IMF staff calculations.
Notes: Y axis shows the percent deviation relative to the month preceding the shock. X axis shows months since realization of the shock. The black line shows the coefficent of interest and the dashed lines show the 90 percent error bands.

6. Consumer confidence and effectiveness of transmission: We find that a one standard deviation decline in the consumer confidence index is associated with a roughly 0.6 pp weaker response of inflation and a 2 percent weaker response of output. This underscores the importance of sentiment in shaping the effectiveness of monetary policy transmission.[3]

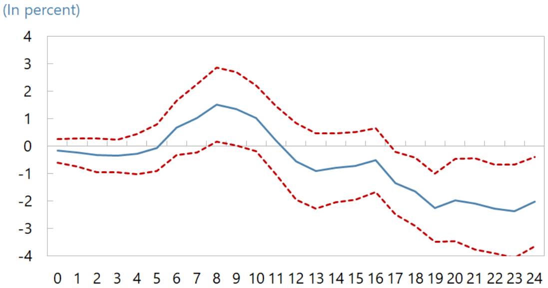
$$Y_{t+h} - Y_{t-1} = \gamma_0^h + \gamma_1^h \mathit{Confidence}_{t-1} \times \eta_t^{MP} + \epsilon_{t+h}$$

Consumer Price Index: Consumer Confidence
(In percent)



Source: IMF staff calculations.
Notes: Y axis shows the percent deviation relative to the month preceding the shock. X axis shows months since realization of the shock. The black line shows the dynamics of the interaction coefficient between ex-ante consumer confidence index and monetary policy shock, and the dashed lines show the 90 percent error bands.

Industrial Production Index: Consumer Confidence
(In percent)



Source: IMF staff calculations.
Notes: Y axis shows the percent deviation relative to the month preceding the shock. X axis shows months since realization of the shock. The black line shows the dynamics of the interaction coefficient between ex-ante consumer confidence index and monetary policy shock, and the dashed lines show the 90 percent error bands.

Conclusion

7. The analysis demonstrates that the exchange rate and credit channels are the most significant for monetary policy transmission in Indonesia, with consumer confidence being a key determinant of the strength of transmission. The empirical framework provides a robust basis for understanding how monetary policy shocks transmit to inflation and output. The evidence that the exchange rate and credit channels dominate the transmission process suggests that policymakers should pay close attention to factors affecting these channels, including financial market development, exchange rate flexibility, and banking sector liquidity. Moreover, the finding

[3] The consumer confidence index, published by Bank Indonesia, measures consumer optimism regarding current economic conditions and expectations for the next six months. For this regression, the index is standardized such that a unit increase reflects a one standard deviation rise in consumer confidence index.

that effectiveness of transmission is closely linked to consumer sentiment implies that efforts to stimulate credit supply should be complemented with confidence boosting measures to ensure effective transmission. In the context of ongoing structural reforms and efforts to deepen financial markets, strengthening the transmission of monetary policy will be critical to ensure that policy actions translate into desired macroeconomic outcomes.

INTERNATIONAL MONETARY FUND

INDONESIA

STAFF REPORT FOR THE 2025 ARTICLE IV CONSULTATION—INFORMATIONAL ANNEX

December 16, 2025

Prepared By | Asia and Pacific Department

CONTENTS

FUND RELATIONS

As of November 30, 2025

Membership Status: Joined February 21, 1967; Article VIII

General Resources Account

	SDR Millions	Percent of Quota
Quota	4,648.40	100.00
IMF's holdings of currency (holding rate)	3,860.00	83.04
Reserve tranche position	792.91	17.06

SDR Department

	SDR Millions	Percent of Allocation
Net cumulative allocation	6,435.72	100.00
Holdings	5,543.38	86.13

Outstanding Purchases and Loans: None

Financial Arrangements

Type	Approval Date	Expiration Date	Amount Approved (SDR Millions)	Amount Drawn (SDR Millions)
EFF	Feb. 04, 2000	Dec. 31, 2003	3,638.00	3,638.00
EFF	Aug. 25, 1998	Feb. 03, 2000	5,383.10	3,797.70
Stand by	Nov. 05, 1997	Aug. 25, 1998	8,338.24	3,669.12

Projected Payments to Fund (SDR millions; based on existing use of resources and present holdings of SDRs):

	Forthcoming				
	2025	2026	2027	2028	2029
Principal					
Charges/Interest		24.69	24.69	24.71	24.68
Total		24.69	24.69	24.71	24.68

Exchange Rate Arrangements

Indonesia's *de jure* exchange rate arrangement is classified as free floating, while the *de facto* arrangement is classified as floating. The market exchange rate is Rp 16,668 per U.S. dollar as of December 15, 2025. Indonesia has accepted the obligations of Article VIII, Sections 2(a), 3, and 4 of the IMF's Articles of Agreement, and maintains an exchange system free of multiple currency practices and restrictions on payments and transfers for current international transactions.

Article IV Consultation

The last Article IV consultation report (IMF Country Report No. 24/270) was discussed by the Executive Board on July 22, 2024.

Resident Representative

Mr. Dennis Botman has been the Resident Representative since August 2023.

RELATIONS WITH OTHER INTERNATIONAL FINANCIAL INSTITUTIONS

- World Bank: https://www.worldbank.org/en/country/indonesia
- Asian Development Bank: https://www.adb.org/countries/indonesia/main

Statement by Mr. Idwan Hakim, Executive Director for Indonesia,
Mr. Kaweevudh Sumawong, Alternate Executive Director,
Mr. Wishnu Mahraddika, Senior Advisor to Executive Director and
Mr. Harry Satriyo Hendharto, Advisor to Executive Director
January 14, 2026

On behalf of the Indonesian authorities, we extend our sincere appreciation to the staff for the constructive policy discussions during the Article IV mission. The assessments and recommendations presented in the reports offer invaluable insights. The authorities greatly value the engagement with cross-agency representatives and look forward to further strengthening these collaborative efforts in the future.

The year 2025 marks a pivotal juncture for Indonesia as it advances toward its long-term vision of becoming a prosperous, just, and equitable nation by 2045. This vision is firmly rooted in the 1945 Constitution of the Republic of Indonesia, which mandates that the country's economic framework and the strategic management of resources advance national prosperity and deliver broad-based benefits for the people. Following the smooth and democratic leadership transition in the final quarter of 2024, the authorities reaffirm their commitment to strong, inclusive, and sustainable growth as a cornerstone of national priorities, by fostering domestic conditions that attract investment, drive innovation, and empower human capital amid a challenging global environment. The authorities remain fully cognizant of downside risks stemming from geopolitical tensions, escalating trade uncertainty, global financial market volatility and corrections, and stand ready to recalibrate policies as needed.

Latest Economic Performance & Outlook

Indonesia's economic performance remains strong and continues to improve in line with the economy's potential. In the third quarter of 2025, growth reached 5.04% year-on-year, supported by robust export performance and accelerated government consumption spending. Inflation at the end of 2025 is within target of 2.5±1%, with headline CPI at 2.92% and core inflation at 2.38% year-on-year. This is consistent with growth operating below potential, the authorities' prudent monetary stance which has anchored inflation expectations, and controlled imported inflation. The external position is in line with fundamentals and the volatility in Rupiah exchange rate is contained, supported by stabilization measures and capital inflows. Foreign exchange reserves rose to USD 156.5 billion at the end of December 2025, equivalent to 6.4 months of imports, well above the international adequacy standard (3 months). For 2025, overall economic growth is projected in the range of 4.7–5.5%. The external position is expected to remain resilient. The current account balance is projected to range from a surplus of 0.1% of GDP to a deficit of 0.7% of GDP, and the Rupiah is expected to remain stable supported by attractive yields, favorable growth prospects, and low inflation.

Indonesia's economy is expected to strengthen in the coming years, supported by higher and more resilient growth amid elevated global uncertainties. Despite global economic headwinds, growth is projected to be within the range of 4.9–5.7% in 2026 and 5.1–5.9% in 2027, driven by robust consumption, higher investment and government spending, and solid export performance. Inflation is anticipated to remain low and within the target range of 2.5±1% through 2026 and 2027, underpinned by consistent monetary and fiscal policies, as well as strong inflation control synergy at both national and local levels. External stability and financial system resilience will be maintained, complemented by rapid advancements in digitalization.

In the medium term, a higher growth trajectory can be achieved through the effective implementation of a comprehensive mix of economic policies. This policy mix focuses on three key areas: (i) enhancing productivity through accelerated infrastructure development, strengthened research and development capacity, technology adoption, and improved market efficiency; (ii) increasing high quality capital formation by improving investment climate, boosting foreign and domestic investment, and supporting capital-intensive sectors; and (iii) improving labor quality through better access to healthcare and education, higher workforce participation, and the creation of formal employment opportunities. The authorities recognize that achieving the aspired growth while maintaining internal and external stability requires effective implementation of structural reforms that stimulate growth, by strengthening demand and expanding the economy's productive capacity.

Fiscal Policy

The authorities continue to address various global and domestic challenges through adaptive, progressive, and sustainable policy responses to enhance development outcomes. One such measure is budget prioritization toward development programs that deliver direct benefits to the people and contribute to more inclusive economic growth. The authorities firmly believe that inclusive growth cannot be achieved without strengthening the people's economy and enhancing the quality of human resources. Accordingly, priority development programs focus on: (i) enhancing food security to ensure stability and long-term sustainability; (ii) reinforcing energy security as the backbone of economic and social resilience; (iii) improving children's and students' nutritional quality as a foundation for human capital development through the Nutritious Meals Program (NMP); (iv) strengthening education outcomes through targeted educational programs; (v) promoting public health to support a productive and sustainable economy; (vi) empowering local communities by advancing village development cooperatives and MSMEs ("Red and White Cooperatives"); (vii) building universal defense as a foundation for economic, social, and political self-reliance; and (viii) attracting investment and accelerating international trade to strengthen Indonesia's position within global value chains.

The state budget continues to serve as a key instrument for macroeconomic stabilization and growth acceleration, ensuring that priority programs are implemented effectively while strengthening social protection. Despite additional spending needs toward year-end—including disaster response in Sumatra— the budget remains manageable and sound. In line with a countercyclical fiscal stance, the budget is optimized to support the economic recovery cycle. As of December 2025, the provisional budget deficit is contained at 2.92% of GDP. The authorities are committed to maintaining prudent buffers to balance liquidity needs and growth objectives. Financing is managed prudently through an appropriate composition and controlled risk. Fiscal policy remains firmly anchored by the statutory deficit ceiling and supported by adequate buffers to preserve medium-term sustainability.

State revenue performance signals improvement. Gross tax receipts continued to increase, supported by gains in major tax categories, reflecting strengthening economic activity and resilient consumption spending. Efforts to optimize tax revenue will continue through administrative and system enhancements as well as improvements to taxpayer compliance, with a key focus on upgrading the core tax system to boost efficiency and service quality. To further strengthen the core tax administration system, the authorities have recently granted the Directorate General of Taxes flexibility to develop an adaptive organizational structure, ensuring the effective implementation of tax reforms. This measure is essential given its strategic role in improving tax collection efficiency.

Government spending is being accelerated to ensure fiscal stimulus remains effective to support the economy. Spending is managed to be timely and well-targeted, ensuring priority programs deliver tangible benefits. Goods expenditure, which underwent adjustments earlier in the year, has been gradually accelerated to support ministry operations, priority programs, and improved public services. Social assistance spending grew significantly by 19.2% year-on-year. Most priority programs are well underway and deliver direct benefits to the public. The NMP reached IDR 52.9 trillion by December 15, 2025, benefiting 50.7 million recipients, including schoolchildren, pregnant women, and vulnerable groups, while creating approximately 741,985 jobs and supporting local economic activities. The implementation of NMP is subject to ongoing enhancements, reflecting the authorities' commitment to address challenges in targeting, logistics, and quality, as underscored in the Staff Report. Government spending also strengthens MSMEs and cooperatives through interest subsidy, which has reached 4.2 million borrowers as of November 30, 2025.

The budget has also been utilized as part of the disaster response strategy in several regions of Sumatra, covering emergency relief through rehabilitation and reconstruction. The authorities promptly activated the disaster contingency fund, which had been pre-allocated in the budget to ensure rapid deployment during emergencies. As an initial response, the authorities distributed IDR 268 billion in assistance funds to 3 provinces and 52 affected districts and municipalities in Sumatra to support recovery and reconstruction. To provide additional fiscal space for local governments, the authorities granted relaxation in the disbursement of the local government transfers, restructuring of loans and related financing through deferred payment obligations and extended loan maturities. For infrastructures that were severely damaged and rendered unusable, provisions have been made for partial debt forgiveness to ease fiscal burdens and safeguard the financial sustainability of local government administrations.

Going forward, to address challenges and provide optimal support to the development agenda, fiscal policy will remain expansionary, targeted, and prudent, with a projected budget deficit staying below the 3 percent of GDP ceiling. The authorities will continue to ensure that the state budget remains sound, supported by ongoing fiscal reforms aimed at mobilizing revenue in line with economic capacity, improving the quality and efficiency of spending, and fostering innovative financing to strengthen economic performance and public welfare. Harmonization and synergy between central and local government policies will also serve as a key pillar to ensure more efficient and productive spending, higher quality public services, and improved welfare.

Monetary & Financial Sector Policy

The central bank (Bank Indonesia – BI) continues to direct its monetary policy to support higher economic growth while safeguarding overall stability. Measures include lowering the BI Rate, stabilizing the Rupiah exchange rate, and expanding monetary liquidity. Monetary policy decisions remain data-dependent and forward-looking with price and exchange rate stability continuing to serve as the primary policy anchors. Since September 2024, the BI Rate has been reduced by a total of 150 basis points, bringing it to 4.75% as of November 2025, the lowest since 2022. Exchange rate stabilization has been reinforced through offshore interventions via non-deliverable forwards (NDF) and domestic interventions through spot markets, domestic NDF, and secondary market purchases of government securities (SBN). Additional foreign exchange supply from corporations, including increased conversion of export proceeds under the strengthened export repatriation requirement policy, has also supported Rupiah stability. Liquidity expansion has been pursued through reductions in BI Rupiah Securities (SRBI) positions and SBN purchases, ensuring close synergy between monetary and fiscal policies. These operations are conducted transparently, in line with market mechanisms, and consistent with monetary objectives to maintain policy credibility. Positive developments in money market and foreign exchange market deepening have also contributed to strengthening the effectiveness of monetary policy transmission. In line with the Money Market and Foreign Exchange Market Deepening Blueprint 2030, transactions in Indonesia's money and foreign exchange markets have continued to record solid progress. As of October 2025, average daily repo transactions reached IDR 17.7 trillion in 2025, up 17.9% from 2024 and 62.7% from 2023, while average daily Overnight Index Swap transactions increased by 35.7% year-on-year to IDR 66.5 billion.

Recent enhancements to the macroprudential liquidity incentives framework underscore a proactive policy stance aimed at fostering credit growth and supporting economic resilience. The forward-looking and performance-based macroprudential liquidity incentives policy (KLM) framework was reinforced to accelerate reductions in lending rate while promoting credit growth. Liquidity incentives for banks to decrease lending rates were increased from a maximum of 0.5% to 1.0% of third-party funds (DPK), while incentives for credit disbursement (as shown by credit growth) remain significant at up to 4.5% of DPK. The effort to support growth is also accompanied by acceleration in payment system digitalization.

The banking sector remains resilient and well-capitalized, with steady credit growth and strong liquidity, even as cautious business sentiment tempers lending demand. Bank credit expanded by 7.74% year-on-year in November 2025, up from 7.36% the previous month. On the supply side, banks maintain strong financing capacity, supported by a rising liquid assets-to-DPK ratio of 29.67% and DPK growth of 12.03% year-on-year. These developments reflect monetary liquidity expansion, KLM easing, and fiscal measures including placement of government funds in major banks. Bank lending appetite remains healthy, as shown by increasingly relaxed credit requirements. However, demand remains moderate due to cautious business sentiment, reliance on internal financing, and gradual lending rate adjustments. Banking resilience remains strong, with high capital ratio and low credit risk. The Capital Adequacy Ratio (CAR) rose to 26.38% in October 2025, ensuring robust risk absorption capacity. Non-performing loans remain low at 2.25% gross and 0.90% net. Stress test result indicates banking sector strength, supported by solid corporate repayment capacity and profitability. Going forward, policy coordination within the Financial System Stability Committee (KSSK) will continue to mitigate global and domestic risks that could affect financial system stability.

Structural Reform

To strengthen Indonesia's competitiveness, Danantara has been established as the super holding entity for Indonesia's state-owned enterprises (SOEs). Through an integrated, results-oriented management approach, Danantara is expected to serve as a key driver of resilient, inclusive, and long-term economic growth, supporting the 2045 national vision. Its investment focus targets sectors that deliver high value-added contributions to the economy and reinforce Indonesia's position in global value chains, including downstream natural resource industries, advanced manufacturing, renewable energy, digital infrastructure, strategic upstream sectors, and food security. As an SOE super holding which operates as a sovereign wealth fund (SWF), Danantara ensures transparent investment consolidation to prevent resource overlap and strengthen asset management through professional, standardized, and best international practices to improve overall SOE financial performance, while leveraging state assets under transparent and accountable governance. The authorities fully recognize the risks and concerns outlined in the Staff Report and are actively implementing safeguards to mitigate them. Robust governance and comprehensive risk management frameworks, aligned with international best practices, are being put in place to address potential quasi-fiscal and contingent liability exposures. A clear and consistent separation between commercial objectives and public policy mandates remains a cornerstone principle. This ensures that all investment decisions are made on a professional, commercially-sound basis while remaining firmly aligned with national development priorities.

To achieve higher and more resilient medium-term growth, Indonesia continues to strengthen economic transformation through enhanced policy synergy. This synergy will be further reinforced to address challenges across five key areas: (i) safeguarding macroeconomic and financial system stability; (ii) fostering stronger and more resilient growth; (iii) enhancing economic and financial market financing; (iv) accelerating national economic and financial digitalization; and (v) strengthening bilateral and regional economic cooperation while advancing strategic multilateral engagement. Equally important is the synergy in real-sector transformation policies aimed at improving capital, labor, and productivity to drive sustainable growth. These policies combine industrial strategies with structural reforms in a complementary manner. Industrial policies focus on increasing value-added production in national priority sectors particularly downstreaming of natural resources industries, technology-driven industries, and labor-intensive sectors. Meanwhile, structural reforms target improvements in the investment climate, fair business competition, infrastructure connectivity, and the strengthening of trade policies.

Conclusion

Indonesia's economy continues to perform well. This progress is guided by a clear national vision and supported by robust policy frameworks that prioritize inclusive growth, macroeconomic stability, and sustainable development. The authorities' steadfast commitment to prudent fiscal and monetary policies, strategic structural reforms, and enhanced policy synergy provides a solid foundation for resilient growth, enabling the nation to navigate global uncertainties and pursue its aspirations. The authorities appreciate the constructive engagement with the IMF and look forward to continuing and strengthening this collaborative partnership.