

2026 Indonesia Economic Outlook Resilience Under Pressure

Indonesia Investment & Trade Forum

1st July 2026

Josua Pardede
Chief Economist
Permata Bank



**FOCUS
ECONOMICS**

10TH ANNIVERSARY ANALYST
FORECAST AWARDS 2026

#1 FORECASTER - Indonesia GDP
Bank Permata

**FOCUS
ECONOMICS**

ANALYST FORECAST AWARDS 2025

#1 FORECASTER - Indonesia's Islamic Subsidiary Unit
Bank Permata

**FOCUS
ECONOMICS**

ANALYST FORECAST AWARDS 2024

#1 FORECASTER - Indonesia's Islamic Subsidiary Unit
Bank Permata



#1 BEST OVERALL ECONOMIC - INDONESIA



#1 GDP FORECASTER - INDONESIA



#1 FISCAL BALANCE FORECASTER - INDONESIA



#2 CURRENT ACCOUNT FORECASTER - INDONESIA



#1 EXCHANGE RATE FORECASTER - INDONESIA



#3 CURRENT ACCOUNT FORECASTER - INDONESIA

Indonesia's Current Economic Performance

Four Key Global Risks in 2026



Rising geopolitical tensions driving risk-off sentiment

Escalating geopolitical tensions in various regions, most notably the recent developments in the Middle East, are likely to sustain a risk-off environment in 2026.

This may lead to heightened market volatility, stronger demand for safe-haven assets, elevated inflationary pressures resulting in a more hawkish monetary policy stance, and continued stress on emerging market assets.



Persistent trade war uncertainty

Ongoing trade war uncertainties in 2026 remain a key downside risk to global growth and financial stability. For Indonesia, this could pressure the external sector through weaker exports alongside potentially higher imports driven by pro-growth measures, thereby widening the current account deficit (CAD) and increasing vulnerabilities in the balance of payments (BoP) and foreign reserves.




Uncertainty in global policy rate paths

Uncertain monetary policy trajectories among major central banks in 2026, amid the trade-off between slowing growth and rising inflation risks stemming from multiple sources, including the Middle East conflict, are likely to prolong financial market uncertainty. This environment may drive greater currency volatility, complicate capital flows, and trigger further repricing in both bond and FX markets.




Slower-than-expected recovery in China


A weaker-than-anticipated economic recovery in China in 2026, amid ongoing domestic property sector challenges, could weigh on global growth, trade, and commodity demand. As the world's second-largest economy and a key trading partner for Indonesia, this may amplify external pressures and increase market volatility domestically.



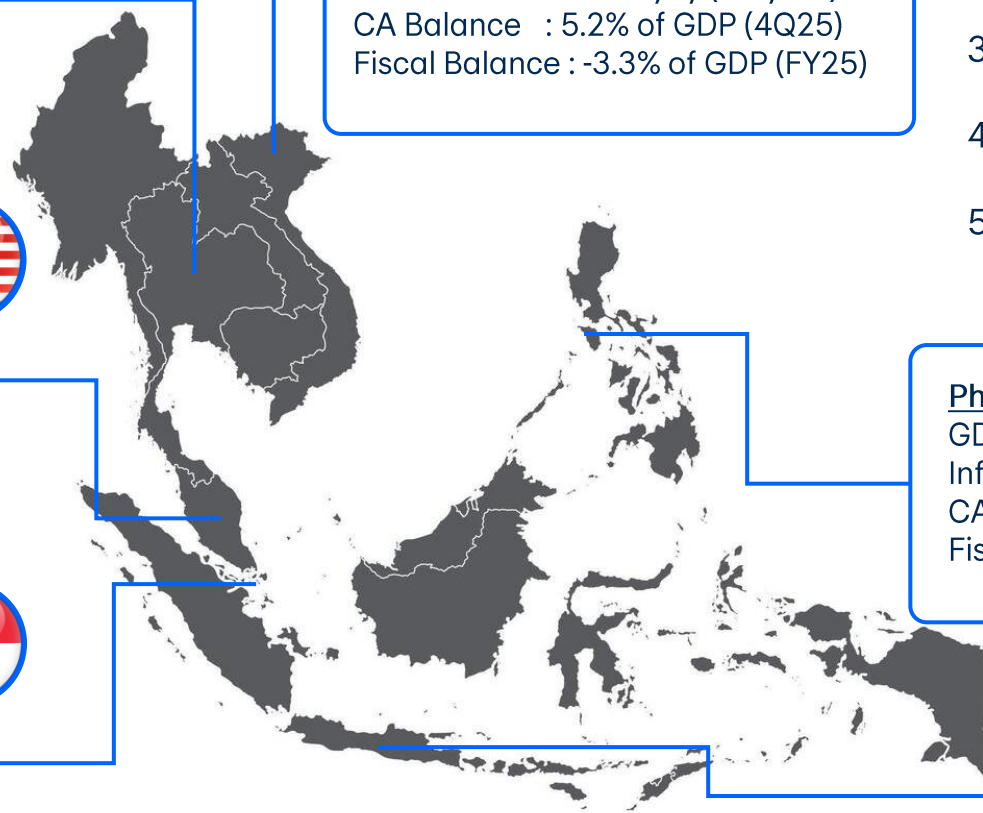

Thailand
 GDP growth : 2.84%yoy (1Q26)
 Inflation rate : 2.79%yoy (May-26)
 CA Balance : 2.1% of GDP (1Q26)
 Fiscal Balance: -4.6% of GDP (FY25)



Malaysia
 GDP growth : 5.36%yoy (1Q26)
 Inflation rate : 2.01%yoy (May-26)
 CA Balance : 3.0% of GDP (1Q26)
 Fiscal Balance : -3.7% of GDP (FY25)




Singapore
 GDP growth : 6.00%yoy (1Q26)
 Inflation rate : 1.76%yoy (Apr-26)
 CA Balance : 20.3% of GDP (1Q26)
 Fiscal Balance : 1.3% of GDP (FY25)

Vietnam
 GDP growth : 7.83%yoy (1Q26)
 Inflation rate : 5.60%yoy (May-26)
 CA Balance : 5.2% of GDP (4Q25)
 Fiscal Balance : -3.3% of GDP (FY25)

- Indonesia stands out across several dimensions:**
1. Indonesia has maintained relatively stable and resilient GDP growth (around 5%), supported by strong domestic demand.
 2. Indonesia is the second-largest FDI recipient in ASEAN, after Singapore.
 3. Indonesia has the largest consumer market in ASEAN.
 4. Inflation in Indonesia has been relatively controlled post-pandemic.
 5. Indonesia maintains a fiscal deficit under 3% of GDP and a moderate debt-to-GDP ratio (below 40%).



Philippines
 GDP growth : 2.76%yoy (1Q26)
 Inflation rate : 6.76%yoy (May-26)
 CA Balance : -1.8% of GDP (4Q25)
 Fiscal Balance: -5.6% of GDP (FY25)



Indonesia
 GDP growth : 5.61%yoy (1Q26)
 Inflation rate : 3.08%yoy (May-26)
 CA Balance : -1.09% of GDP (1Q26)
 Fiscal Balance : -2.9% of GDP (FY25)

Economic conditions are relatively resilient amid increasing global uncertainty.



GDP Growth

1H25: 4.99%yoy		FY24: 5.03%
3Q25: 5.04%yoy		FY25: 5.11%
4Q25: 5.39%yoy		FY26 Projection: 5.1 – 5.3%
1Q26: 5.61%yoy		




Current Account Balance

FY24: -0.61% of GDP
 4Q25: -0.69% of GDP
 FY25: -0.11% of GDP
 1Q26: -1.09% of GDP
 FY26 Projection -1.0% to -1.5% of GDP



Trade Surplus/Deficit

FY24: USD 31.04 billion
 FY25: USD41.05 billion
 Jan-Apr-25: USD11.07 billion
 Jan-Apr-26: USD5.64 billion



Headline Inflation (May-26)

3.08%yoy
 1.35%ytd
 2026 Projection: 3.0 – 3.5%



IDR17,882/ US Dollar

USD/IDR (30-Jun-26)
 -6.67%ytd



Foreign Reserves USD144.9 billion

Down by USD11.53 billion ytd
 (as of May-26)



BI-Rate 5.75%

+100bps ytd
 (as of Jun-26)



Consumer Confidence Index

FY24: 127.77
 FY25: 123.50
May-26: 120.9



Loan Growth

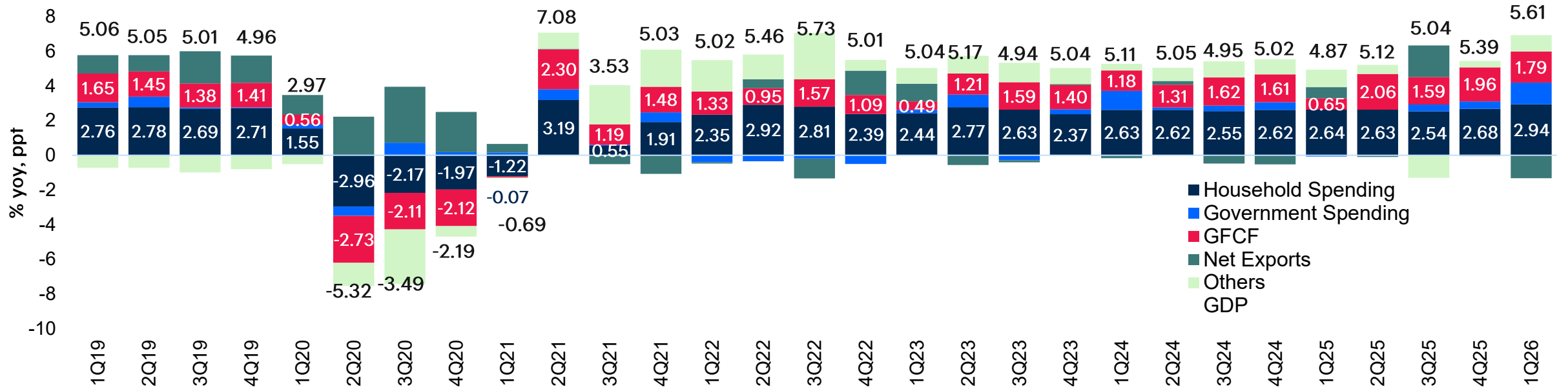
11.51%yoy
 (May-26)
 FY26 Forecast: 9 – 11%



S&P Global PMI Manufacturing

FY24: 51.2
 FY25: 51.2
May-26: 50.0

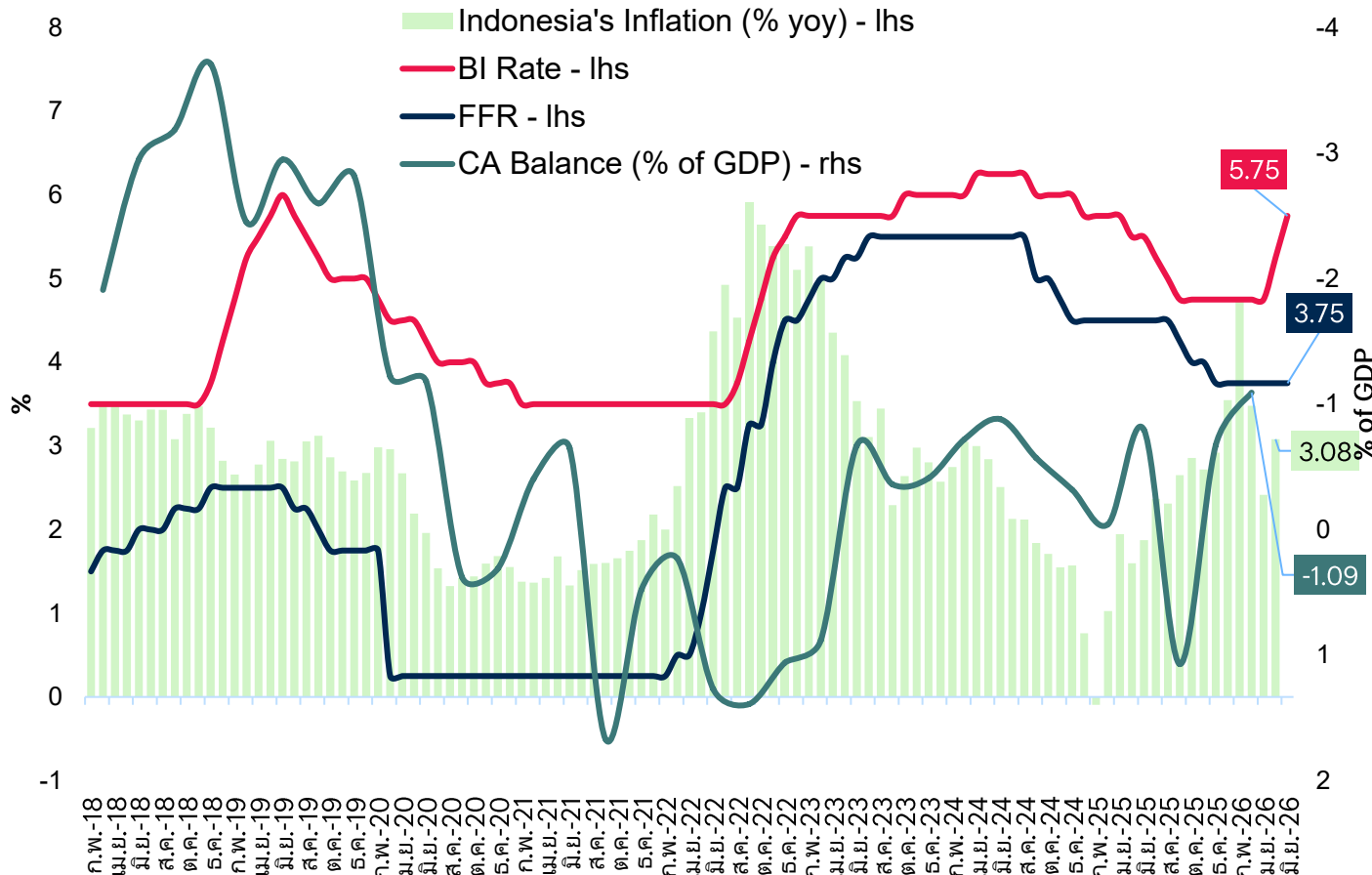
Indonesia's economy expanded by 5.61%yoy in 1Q26, accelerating from 5.39%yoy in 4Q25, supported by the government's pro-growth policies and robust household consumption during the Eid festive period.



%yoy	2019	2020	2021	2022	2023	2024	2025		1Q25	2Q25	3Q25	4Q25		1Q26
GDP	5.02	-2.07	3.70	5.31	5.05	5.03	5.11		4.87	5.12	5.04	5.39		5.61
Household Expenditure	5.04	-2.63	2.01	4.94	4.83	4.94	4.98		4.95	4.97	4.89	5.11		5.52
Government Expenditure	3.27	2.12	4.25	-4.42	3.02	6.76	2.50		-1.22	-0.32	5.66	4.55		21.81
Gross Fixed Capital Formation	4.45	-4.96	3.80	3.87	3.76	4.61	5.09		2.12	6.99	5.04	6.12		5.96
Export of Goods and Services	-0.48	-8.42	17.99	16.23	1.73	6.85	7.03		5.91	10.14	9.14	3.25		0.90
Imports of Goods and Services	-7.13	-17.60	24.86	15.00	-1.24	8.15	4.77		3.57	11.15	0.86	3.96		7.18

BI raised its benchmark interest rate, BI-rate, by 25bps to 5.75% at its Jun-26 policy meeting, following a 25bps increase at an off-schedule meeting on 9-Jun-26 aimed at stabilizing the Rupiah and mitigating inflationary pressures. Since May-26, BI has delivered a cumulative 100bps of rate hikes, bringing the policy rate to its highest level since Apr-25. The decision was taken against a backdrop of rising inflationary pressures, approaching the upper bound of BI's 1.5–3.5% target range. The increase reflects a stronger pass-through of supply-side cost pressures to consumer prices. Furthermore, the Rupiah's recent gains remain vulnerable, given the persistently high level of global uncertainty.

Factors Influencing the Movement of BI-Rate



Market Forecast on Global Policy Rate

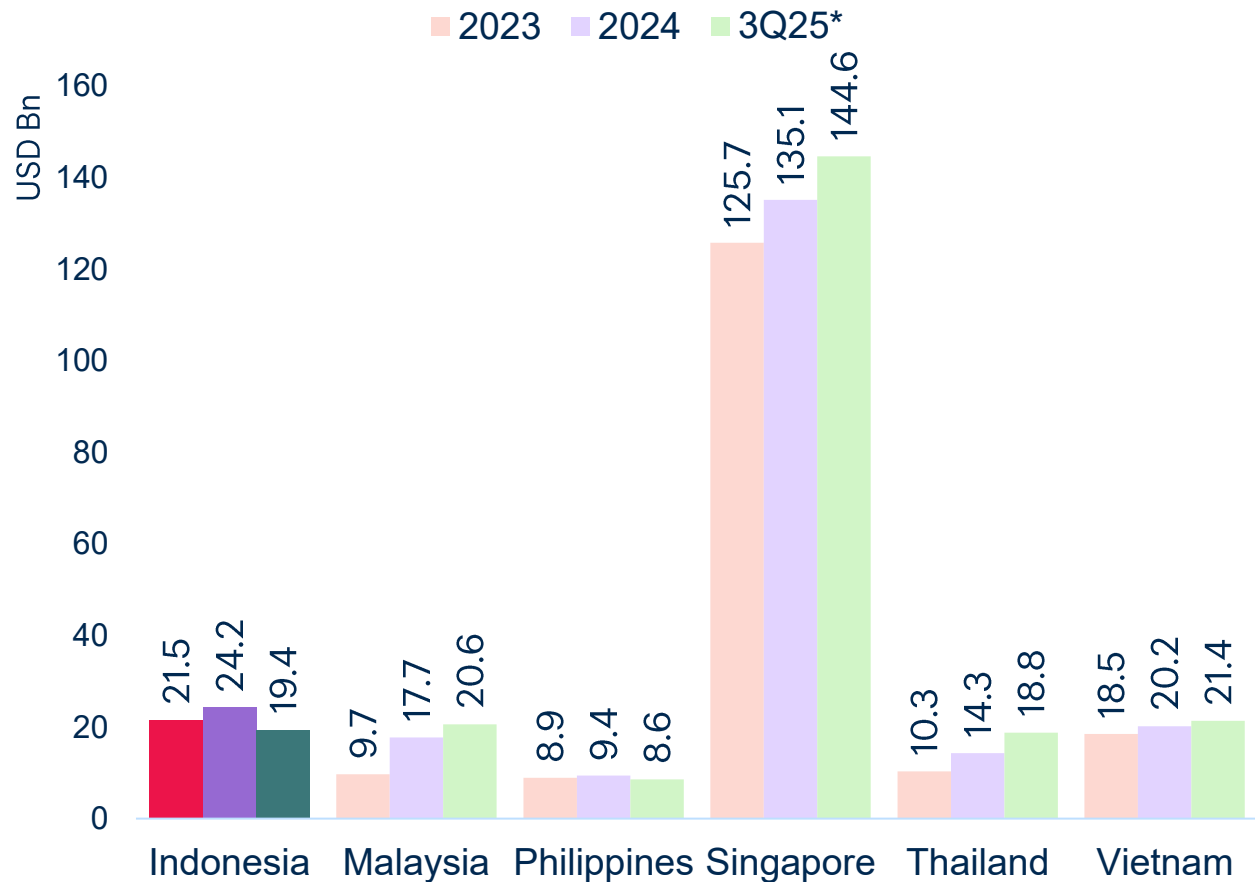
Policy Rate	2023	2024	2025	2026 F	2027 F
FFR (The Fed)	5.50	4.50	3.75	3.75	3.50
Refinancing Rate (ECB)	4.50	3.15	2.15	2.50	2.50
Key Interest Rate (BoE)	5.25	4.75	3.75	4.00	3.50
Key Short-term Rate (BoJ)	-0.1	0.25	0.75	1.25	1.50
LPR (PBoC)	3.45	3.10	3.00	2.92	2.84

PIER Forecast on BI-rate

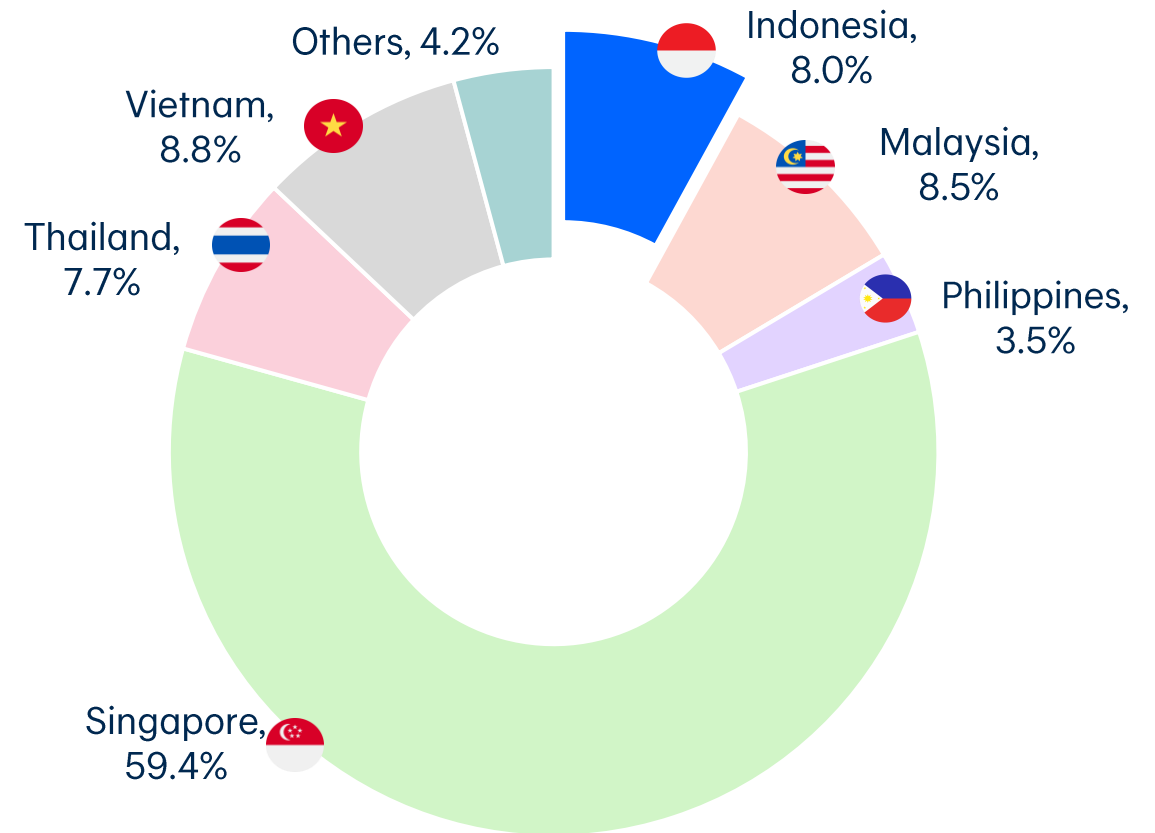
(%)	2023	2024	2025	2026F	2027F
BI-rate	6.00	6.00	4.75	5.75	5.75

Indonesia ranks as the second-largest recipient of foreign direct investment (FDI) in ASEAN. The majority of FDI inflows into Indonesia in 2025 were directed toward the manufacturing, services, and mining sector.

FDI in the Last 3 Years



Share of FDI in 9M25

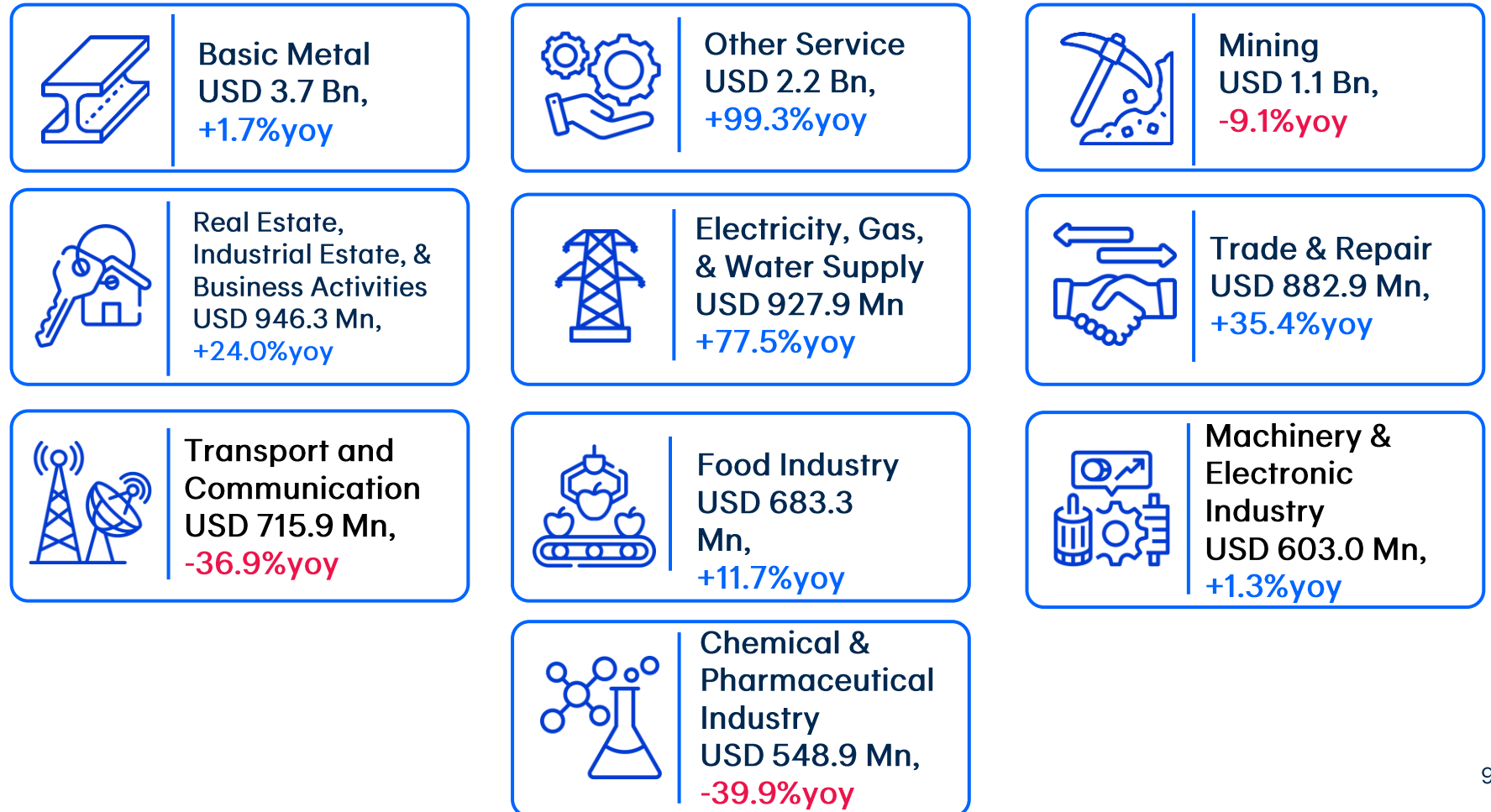


Foreign Direct Investment (FDI) rose by 5.2%yoy in 1Q26, rebounding from a 6.2%yoy contraction in 4Q25. The Basic Metal sector continued to receive the largest share of FDI, followed by Other Services and Mining sector.

FDI Performance 1Q26

USD 15.2 Bn,
+5.2%yoy

Foreign Direct Investment by Sector (USD Million)

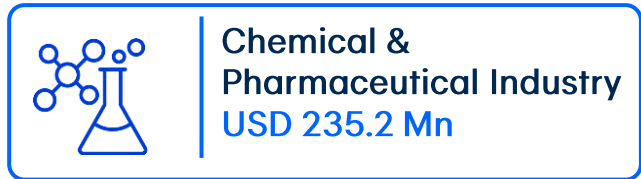


Indonesia's Foreign Direct Investment from Thailand

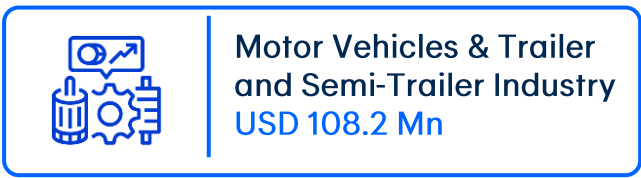
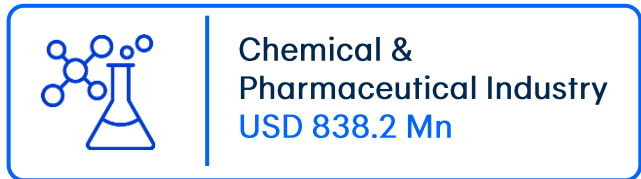
Foreign Direct Investment (FDI) from Thailand amounted to USD 109.5mn in 1Q26, slightly decelerating from USD 158.7mn in the previous quarter. The chemical and rubber/plastics industries remained the main recipients of Thai FDI.



Foreign Direct Investment by Sector (2Q25 - 1Q26)



Foreign Direct Investment by Sector (2021 - 2025)

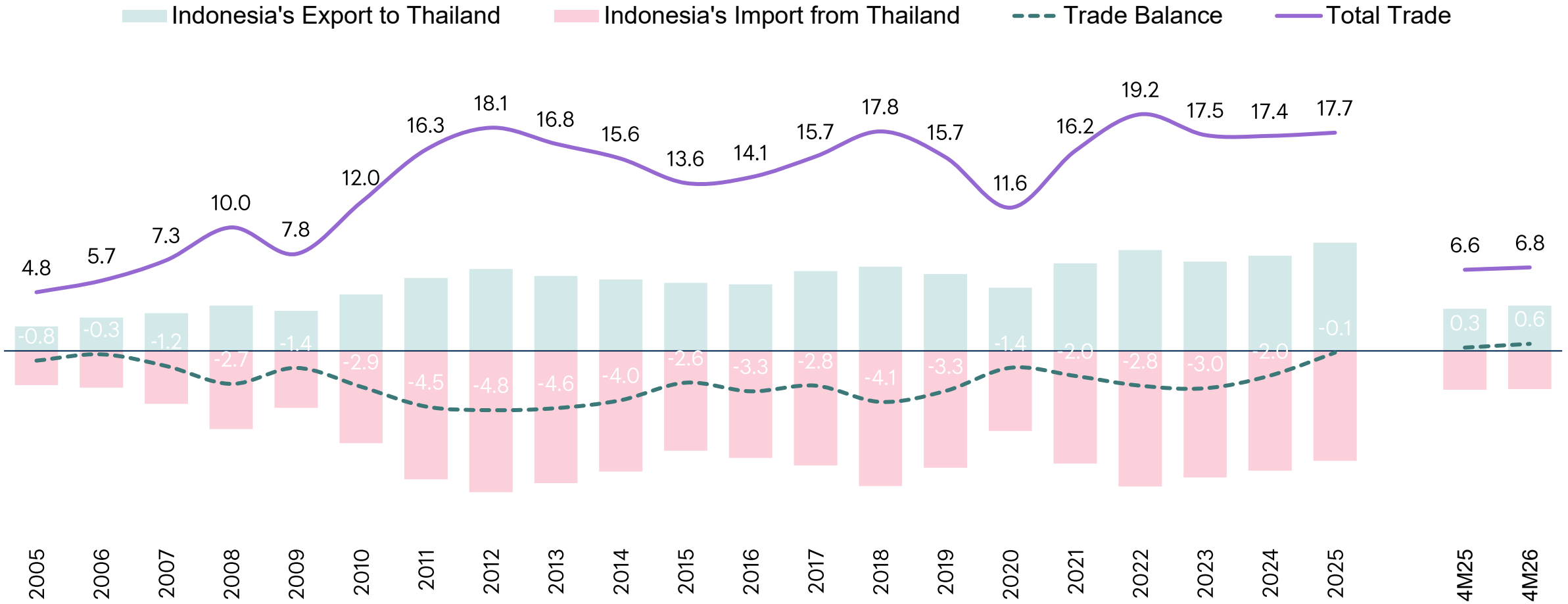


Indonesia – Thailand Trade Relations

Indonesia–Thailand trade relations have grown almost fourfold since 2005.

In recent years, Indonesia’s trade deficit has continued to narrow, allowing the country to record a trade surplus in the first four months of 2026.

Indonesia-Thailand Trade Development (USD Billion)



Gold, oil, coal, and copper remain Indonesia's main exports to Thailand. Meanwhile, raw materials and investment goods constitute Indonesia's primary imports from Thailand, underscoring the integrated value chain between the two countries.

Top 5 Indonesia's Export Products to Thailand (4M26)



Coin of Legal Tender
 (HS 711890)
 USD 853.1 Mn
 +23.1%yoy



Petroleum Oils
 (HS 270900)
 USD 288.5 Mn
 -39.3%yoy



Article of Jewelry
 (HS 711319)
 USD 281.8 Mn
 +52.5%yoy



Coal
 (HS 270119)
 USD 236.2 Mn
 -2.0%yoy



Copper
 (HS 740311)
 USD 199.2 Mn
 +149.6%yoy

Top 5 Indonesia's Import from Thailand (4M26)



Raw Cane Sugar
 (HS 170114)
 USD 483.9 Mn
 -1.8%yoy



Motor Vehicles
 (HS 870421)
 USD 160.4 Mn
 +7.8%yoy



Internal combustion engine
 (HS 840820)
 USD 86.3 Mn
 +6.4%yoy



Fresh tamarinds, cashew apples, etc
 (HS 081090)
 USD 63.0 Mn
 +62.5%yoy



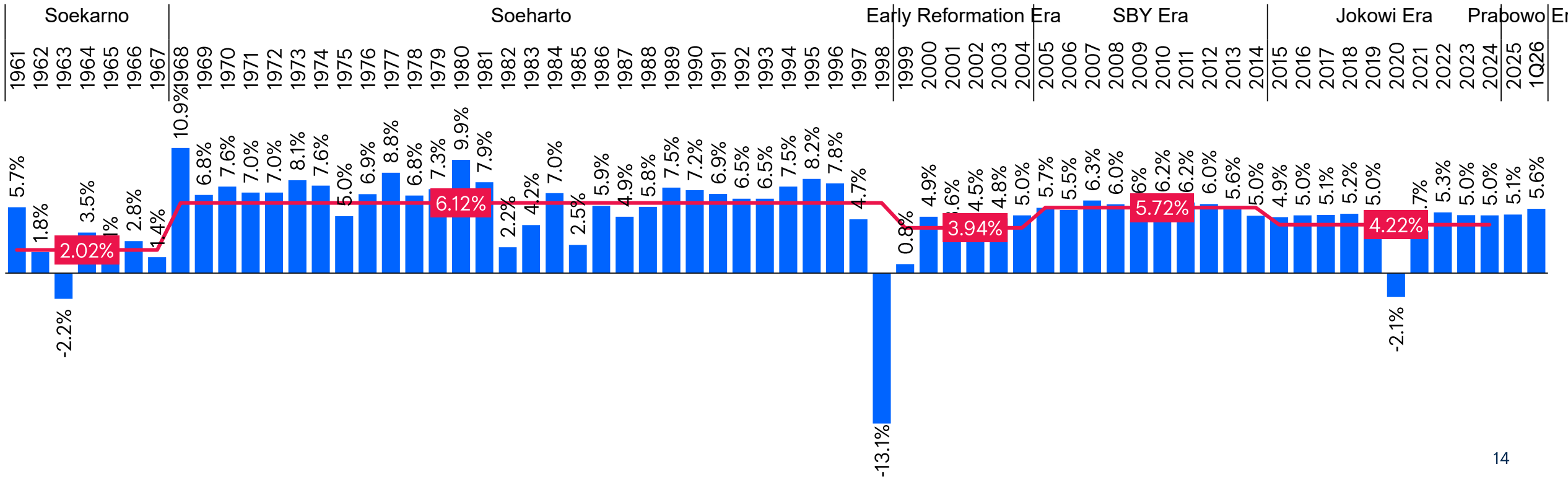
Propylene, in primary forms
 (HS 390210)
 USD 43.3 Mn
 -27.6%yoy

Indonesia's Economic Outlook

Indonesia's economy grew by an average of 5.11% during 1961–2024, and going forward, economic growth is expected to remain around 5%, supported by several government policies aimed at pushing growth higher.



Indonesia's Economic Growth 1961-1Q26



Indonesia 2027 Priority Programs

The Government of Indonesia aims to achieve 5.9 – 7.5% economic growth in 2027 and 8% by 2029. Short-term focuses will be on productivity, investment, and industrialization with financing would come from the State Budget, private investment, and Danantara to reduce dependence on fiscal resources alone

Food Sovereignty	Integrated food estates, fisheries modernization, aquaculture expansion, salt industry development, plantation expansion, and higher meat, milk, and egg production.
Energy & Water Independence	B50 biodiesel, E20 bioethanol, 100 GW solar power, EV conversion, city gas networks, electrification, oil & gas exploration, and water self-sufficiency.
Education Transformation	Free nutritious meals for students, school revitalization, digital education, STEM universities, vocational globalization, and teacher welfare improvements.
Healthcare Development	Free health screening, hospital upgrades, tuberculosis eradication, and nutrition programs for pregnant women, mothers, and children.
Downstreaming & Industrialization	Strategic downstream projects, national car and motorcycle initiatives, aerospace ecosystem, and semiconductor industry development.
Infrastructure, Housing & Disaster Resilience	Giant Sea Wall, post-disaster reconstruction, environmental programs, 3 million housing program, and railway network expansion.
People's Economy & Rural Development	80,000 Red-and-White Village Cooperatives and accelerated development of underdeveloped, frontier, and outermost regions.
Poverty Reduction	Integrated social assistance and economic empowerment programs targeting 10 million productive citizens.

However, as global uncertainty remains elevated, close coordination between fiscal and monetary policies is essential to maintain external stability, including the stability of the exchange rate.



Joint Commitment (6 June 2026)

At a joint Parliament–Government–BI meeting, two coordination pillars were agreed:

- (1) enhance yield attractiveness of domestic instruments,
- (2) keep government cash at BI to align fiscal and monetary liquidity operations.



Government Cash at BI

Retaining state treasury funds within BI allows integrated money market liquidity management. Fiscal disbursements become a source of IDR liquidity that reinforces monetary operations — avoiding the cross-purpose tension between MoF spending and BI absorption.



Critical Risk: Fiscal Discipline

This coordination only works if the government maintains genuine expenditure restraint. Import-stimulating fiscal expansion undermines monetary tightening — the central bank tightens while fiscal policy loosens, rendering the net policy stance ambiguous and IDR defense less credible.



Rupiah stability cannot be achieved through monetary tightening alone. Structural pressures on the current account — particularly import surges and energy cost pass-through — require complementary fiscal management. The 6 June coordination commitment is a positive step, but its durability under political pressures for expansionary growth remains the key uncertainty.

Robust long-term growth, supporting environment from fiscal and monetary policies, and stable domestic consumption from the population brings investment opportunity in several domestic-based sectors.

Indonesia's Population Structure Projection (Million People, 2030)

Age Group	2030 (Th)	Working Population (Th)	Generation
0-4 Years	22,142	203,081	
5-9 Years	22,691		
10-14 Years	21,932		
15-19 Years	21,971		Gen Z & Alpha
20-24 Years	22,000		Gen Z
25-29 Years	22,052		Millennial & Gen Z
30-34 Years	22,409		Millennial
35-39 Years	22,064		
40-44 Years	21,540		Gen X
45-49 Years	20,422		
50-54 Years	19,237		
55-59 Years	17,023		
60-64 Years	14,364		
65-69 Years	11,302		
70-74 Years	7,973		
75 Years and Over	8,309		
Total Population	297,431		

FDI in Several Potential Sectors (Annualized 1Q26)



Digital Related Sector
 USD 5,027 Mn
+8.50%yoy



Food & Beverage Industry
 USD 2,088 Mn
-34.16%yoy

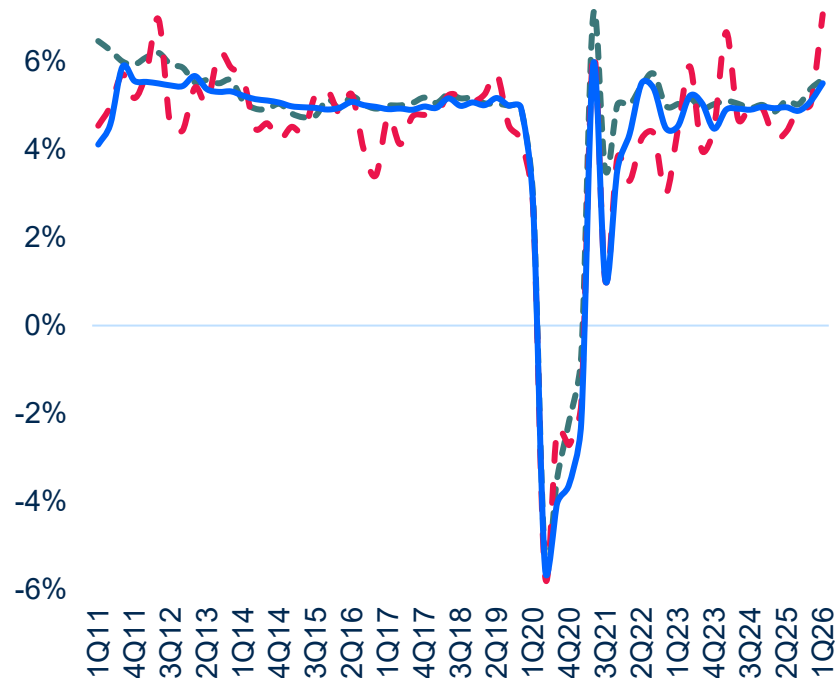


Healthcare and Pharma Industry
 USD 513 Mn
+27.12%yoy

As household consumption remains the primary driver of economic growth, Indonesia's food and beverage industry continues to be attractive, with processed food consumption also rising over the past five years.

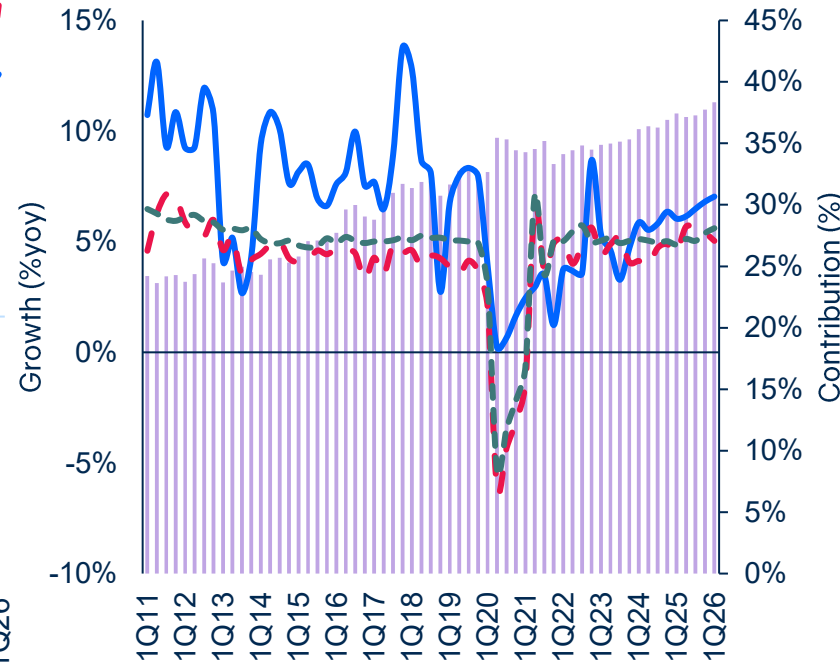
Household Consumption Growth (%yoy)

- GDP (%yoy)
- - - Consumption Expenditure (%yoy)
- Household Expenditure (%yoy)

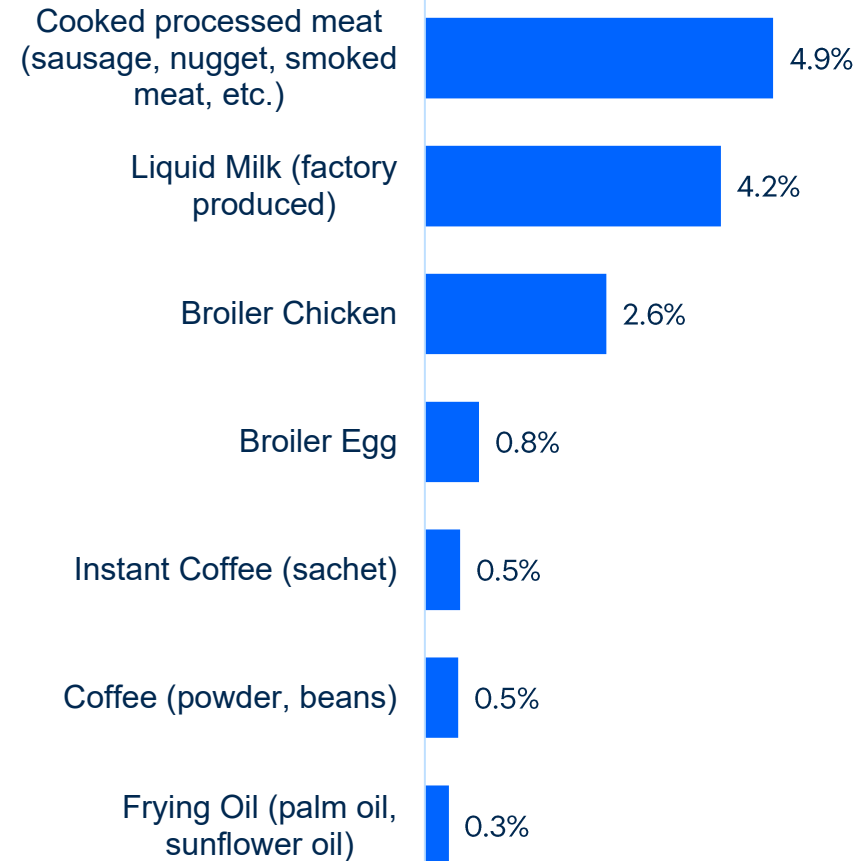


Food & Beverage Manufacturing

- Share FnB to Manufacturing Industry (% , rhs)
- Food & Beverage Manufacturing (%yoy, lhs)
- - - Manufacturing (%yoy, lhs)
- GDP (%yoy, lhs)



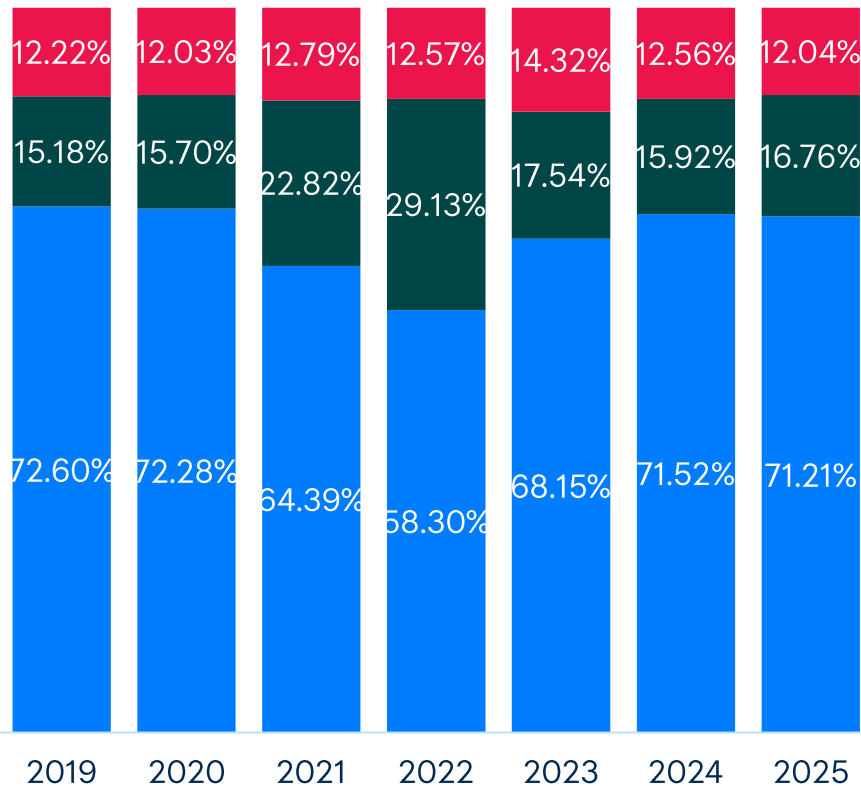
CAGR 2021 - 2025



In addition, as health awareness continues to rise—reflected in increasing health-related spending and the government’s efforts to realize Universal Health Coverage—the development of Indonesia’s healthcare sector and its value chain has accelerated, offering growing opportunities for investment.

Indonesia Health Expenditure Proportion by Type

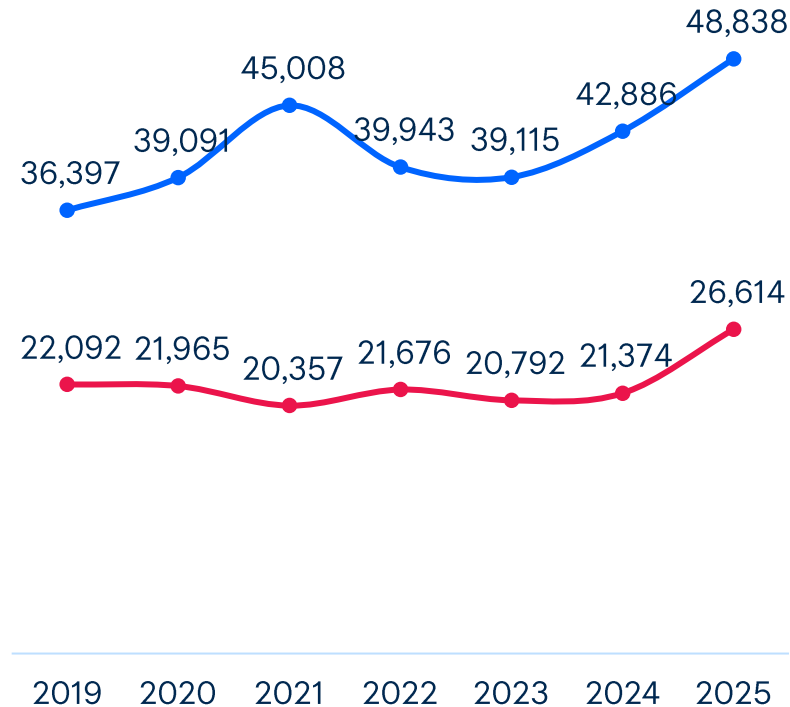
■ Curative ■ Preventive ■ Medicine



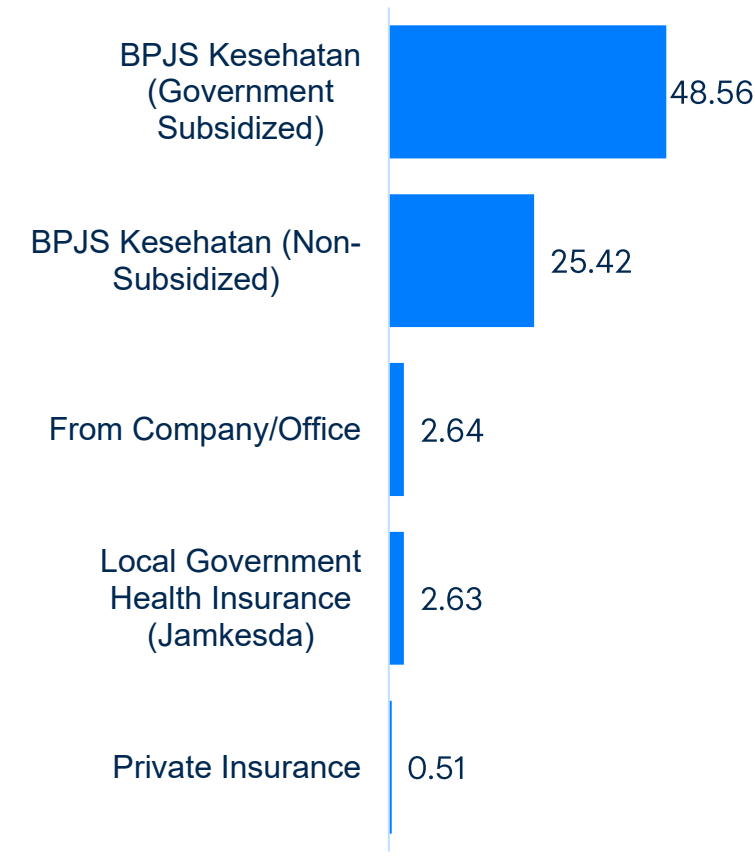
Source: Statistics Indonesia, PIER

Health Spending per Capita by Location (IDR/capita/month)

● Urban ● Rural

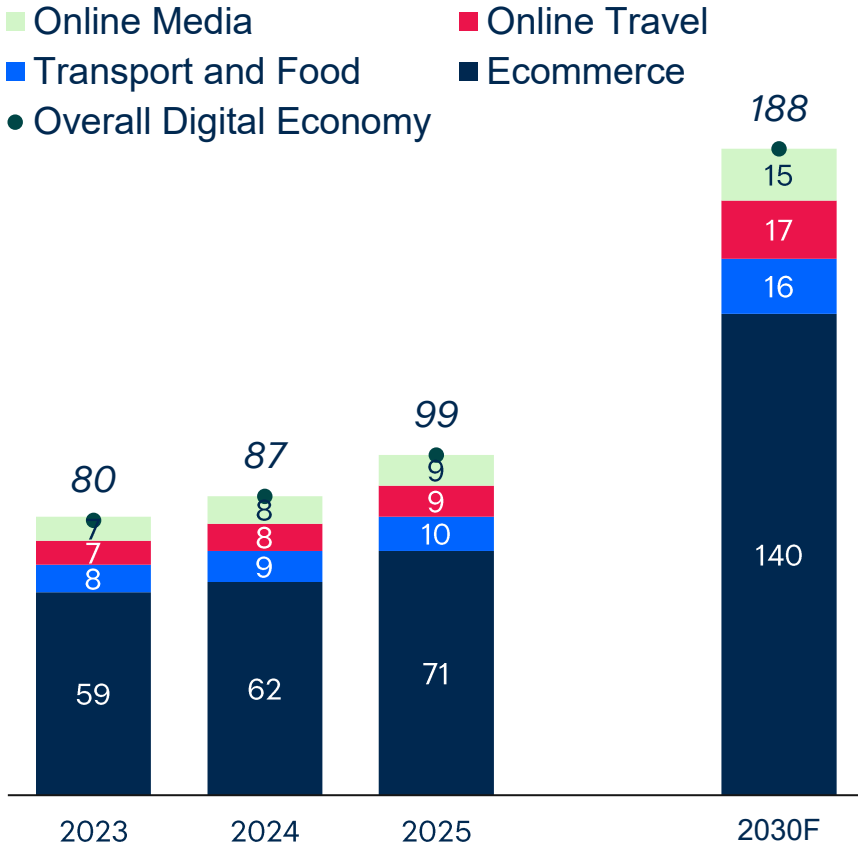


% Population that Owned Health Insurance (2025)

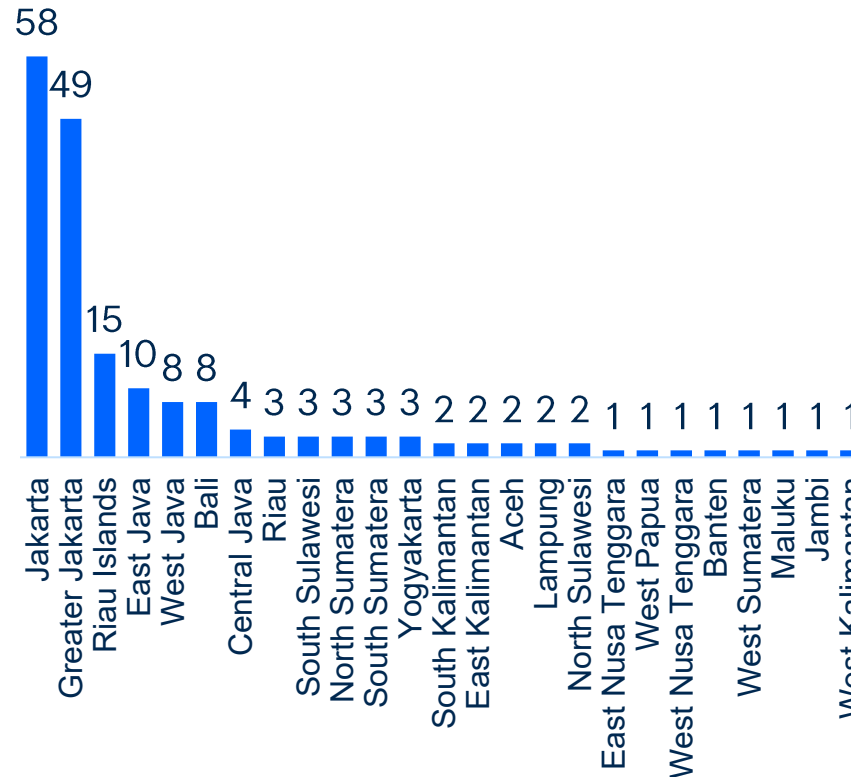


Furthermore, Indonesia's digital economy continues to create investment opportunities, supported by the rapid development of data centers, rising internet usage across the population, and ongoing digital transformation.

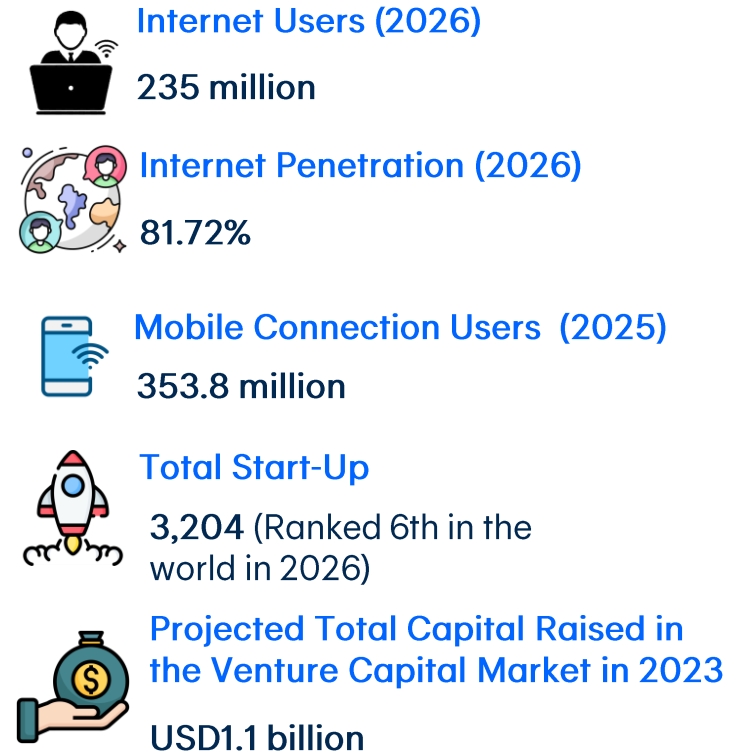
Indonesia's Overall Digital Economy GMV (USD Bn)



Number of Data Center by Province and Area



Several Digital Economy Drivers in Indonesia



Indonesia’s Muslim population makes up around 12% of the global Muslim population—the largest of any country—highlighting the strong demand for halal products. The government’s push to strengthen the sharia economic ecosystem further supports this trend, offering investment opportunities across related sectors.

Halal Value Chain Contribution to GDP

According to Bank Indonesia, Halal Value Chain sectors accounted for around **27.34% of Indonesia’s GDP** in 2025, rising from 25.45% and 24.27% in 2024 & 2023, respectively.

Top three biggest contributors:

- Agriculture
- Halal Food & Beverage
- Muslim-Friendly Tourism

Indonesia’s Top Halal Product

According to the State of Global Islamic Economy Report 2025/26, Indonesia ranks 4th as one of the top Islamic Economy Ecosystem, and several product was in the Top 5 among other Islamic countries:

- #1** Modest Fashion with **USD 1.06 bn export and USD 1.63 bn import** in 2024, the 8th highest exporter and importer in the IOC countries.
- #3** Halal Food with **USD 165.4 bn market** in 2024 – the biggest consumer market among OIC countries.
- #3** Islamic Themed Media & Recreation with **USD 24.7 bn** consumer market
- #4** Halal Pharma & Cosmetics with **USD 6.5 bn** consumer market for pharmaceutical product and **USD 5.9 bn** for halal cosmetic in 2024.

Government Target for Halal Industry Development

The Government of Indonesia set the target for Sharia Economy in Indonesia in 2029:

- Rank 1st for Global Sharia Economy
- Increasing halal export ratio/GDP from 3.69% into 3.92%
- Increasing sharia finance ratio of GDP from 42.67% into 51.42
- Increasing halal certification from 2.17 mn into 7 mn

Global Economic Outlook

Major global institutions expected global growth to ease in 2026, affected by the Middle East conflicts and slowdown in China's growth. Meanwhile, Indonesia is projected to remain resilient despite the turmoil

GDP growth, %

Countries	2021	2022	2023	2024	2025	IMF		World Bank		ADB		OECD	
						2026F	2027F	2026F	2027F	2026F	2027F	2026F	2027F
World	6.6	3.8	3.5	3.3	3.4	3.1	3.2	2.6	2.7	-	-	2.8	3.1
US	6.2	2.5	2.9	2.8	2.1	2.3	2.1	2.2	1.9	2.3	2.0	2.0	1.8
Euro Zone	6.4	3.6	0.4	0.9	1.4	1.1	1.2	0.9	1.2	1.1	1.2	0.8	1.2
Indonesia	3.7	5.3	5.0	5.0	5.1	5.0	5.1	4.7*	5.2*	5.2	5.2	4.7	5.0
Japan	2.7	1.0	1.2	0.1	1.2	0.7	0.6	0.8	0.8	0.7	0.6	0.6	0.8
China	8.6	3.1	5.4	5.0	5.0	4.4	4.0	4.2*	4.3*	4.6	4.5	4.5	4.3
India	9.7	7.6	9.2	6.5	7.6	6.5	6.5	6.5	6.6	6.9	7.3	6.3	6.4
Russia	5.9	-1.4	4.1	4.3	1.0	1.1	1.1	0.8	1.0	-	-	0.5	0.8
Brazil	4.8	3.0	3.2	3.4	2.3	1.9	2.0	2.0	2.3	-	-	1.6	2.1
ASEAN	4.1	5.5	4.1	4.6	4.5	4.1	4.4	-	-	4.6	4.6	-	-

As of 22-Jun-26	2023	2024	2025	1Q26	2Q26F	3Q26F	4Q26F	2026F	2027F	2028F
GDP Growth (% yoy)	5.05	5.03	5.11	5.61	5.29	5.14	5.03	5.26	5.22	5.33
Headline Inflation (2022=100, % yoy, eop)	2.81	1.57	2.92	3.48	3.17	3.08	3.13	3.13	2.94	3.25
Fiscal Balance (% of GDP)	-1.65	-2.29	-2.92	-0.93	-1.25	-2.00	-2.93	-2.93	-2.90	-2.85
IDR 10-year Bond Yield (%)	6.48	7.00	6.07	6.86	7.43	7.58	7.36	7.36	7.29	7.24
Trade Balance (USD billion)	36.90	31.04	41.05	5.55	6.54	10.32	4.37	26.78	21.51	12.01
Current Account Balance (% of GDP)	-0.15	-0.62	-0.11	-1.09	-1.35	-0.29	-1.54	-1.07	-1.49	-1.80
USD/IDR (eop)	15,397	16,102	16,690	16,995	18,363	18,180	17,906	17,906	17,469	17,510
Fed Funds Rate (%)	5.50	4.50	3.75	3.75	3.75	3.75	3.75	3.75	4.00	3.75
BI-Rate (%)	6.00	6.00	4.75	4.75	5.75	5.75	5.75	5.75	5.75	5.50

Thank You



Josua Pardede

Chief Economist
josua.pardede@permatatabank.co.id

Faisal Rachman

Head of Macroeconomic & Fin. Market
Research
faisal.rachman1@permatatabank.co.id

Adjie Harisandi, CFA

Head of Industry & Regional
Research
adjie.harisandi@permatatabank.co.id

Qolbie Ardie

Economist
qolbie.ardie@permatatabank.co.id

Ani Utami

Industry Analyst
ani.utami@permatatabank.co.id

Triananda R. Hadi

Industry Analyst
triananda.hadi@permatatabank.co.id



*For more information about PIER
please visit
www.permatabank.com/id/pier
or scan the QR-code above.*

This document is issued by Economic Research Division, PT. Bank Permata, Tbk. (PermataBank) for information and private circulation purpose only. It does not constitute any offer, proposal, recommendation or solicitation to any person to enter into any transaction or adopt any hedging, trading or investment strategy, nor does it constitute any prediction of likely future movement in rates or prices or any representation that any such future movement will not exceed those shown in any illustration. All reasonable care has been taken in preparing this document, no responsibility or liability is accepted for error, omissions, negligence, and/or inaccuracy of fact or for any opinion expressed herein. Opinion, projection and estimates are subject to change without notice. PermataBank and/or its members of Board of Director and Commissioners, employees, affiliates, agents and/or its advisors disclaims any and all responsibility or liability relating to or resulting from the use of this documents whatsoever which may be brought against or suffered by any person as a result of acting in reliance upon the whole or any part of the contents of this document. You are advised to make your own independent judgment with respect to any matter contained herein, by fully aware of any consequences obtained on said judgment.