



Indonesia Economic Prospects, June 2024

Economic Update, Outlook, and Structural Trends

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Outline



**RECENT DEVELOPMENTS: STABLE
DOMESTIC CONDITIONS VS. GROWING
EXTERNAL PRESSURES**



**ECONOMIC OUTLOOK: STEADY GROWTH
WITH DOWNSIDE RISKS FROM GLOBAL
ECONOMY**



**STRUCTURAL DEVELOPMENTS: SCOPE
TO ENHANCE DIVERSIFICATION AND
ACCELERATE INCLUSIVE GROWTH**



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YET TO FIRE ON ALL CYLINDERS

PM likens economy to high-end car

MONGKOL BANGPRAPA

»Prime Minister Srettha Thavisin has compared Thailand's economic capacity to a 12-cylinder Ferrari, explaining that only around six or seven hydraulic power cylinders are in operation now but the government is working to get them all firing and the country's economic engine running at full throttle.

He was speaking in his first "Khui Kap Srettha" (Talk to Srettha) monthly broadcast that aired yesterday morning.

The PM admitted that despite how hard he and his Pheu Thai Party work towards the economic betterment of the country, the speed of the work may not be as fast as expected.

allow casinos?" asked the PM.

He also dismissed speculation that he usually gave priority to provinces seen as Pheu Thai's political strongholds over other provinces when visiting.

"I am the prime minister of all Thais in all parts of the country, not the prime minister of Pheu Thai [and its supporters] only," he said.

His visits to the provinces have also brought him an opportunity to discover more traditional crafts, which he took as souvenirs to gift to important people he met on his overseas trips.

The PM also explained why he likes to make unannounced visits to places, saying that this is his way of observing problems as they actually are so he can find effective



SUITED UP AND READY

Officials show how to rescue an injured victim from a chemical disaster at the annual BKK Expo 2024, which was organised by City Hall at Benjakitti Forest Park in Bangkok yesterday. The expo ends today and features activities based on the liveable city, smart city, open policy and the Bangkok city

Cyclical developments



Structural developments





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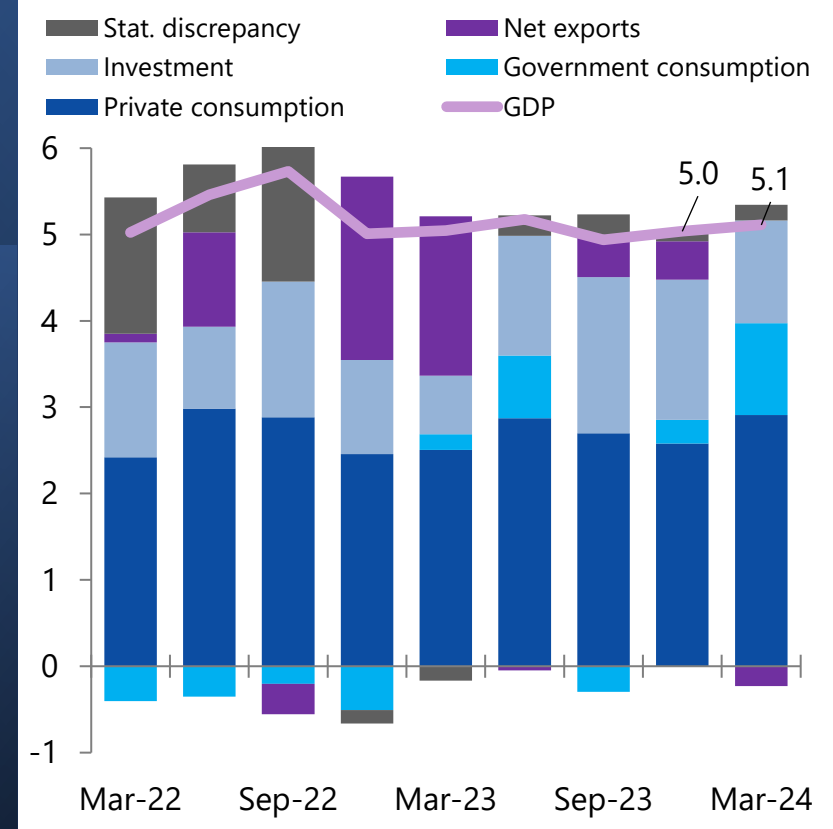
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Domestic conditions remain stable despite global volatility

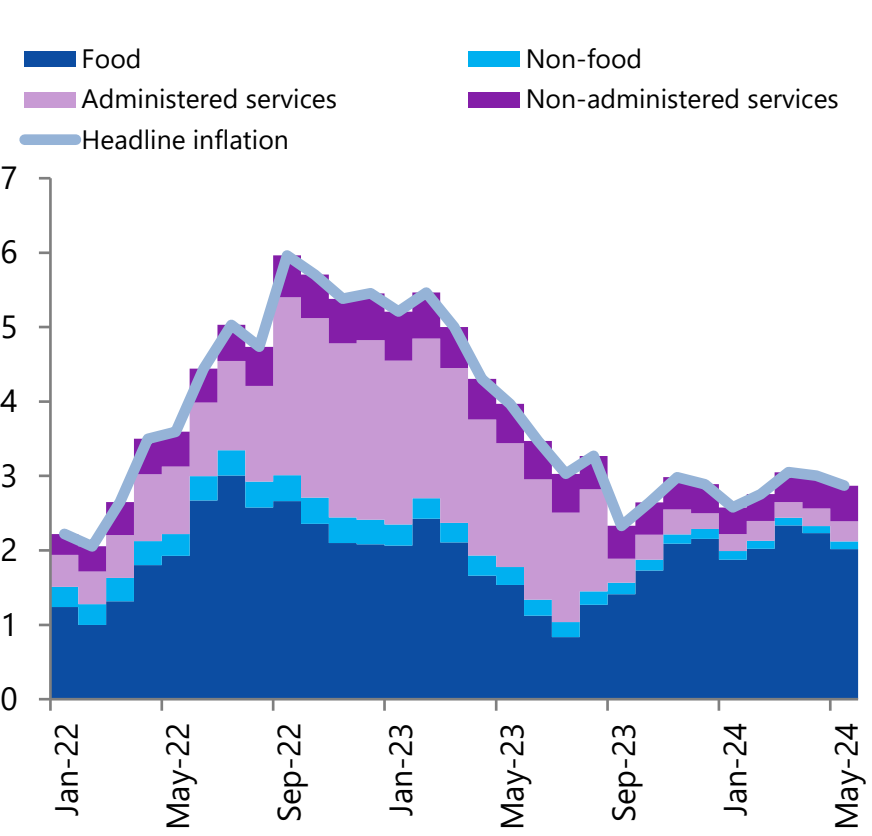
Real GDP Growth and Contributions

(percent and percentage points contribution to yoy growth)



Inflation Trends

(percent and percentage points contribution to yoy growth)

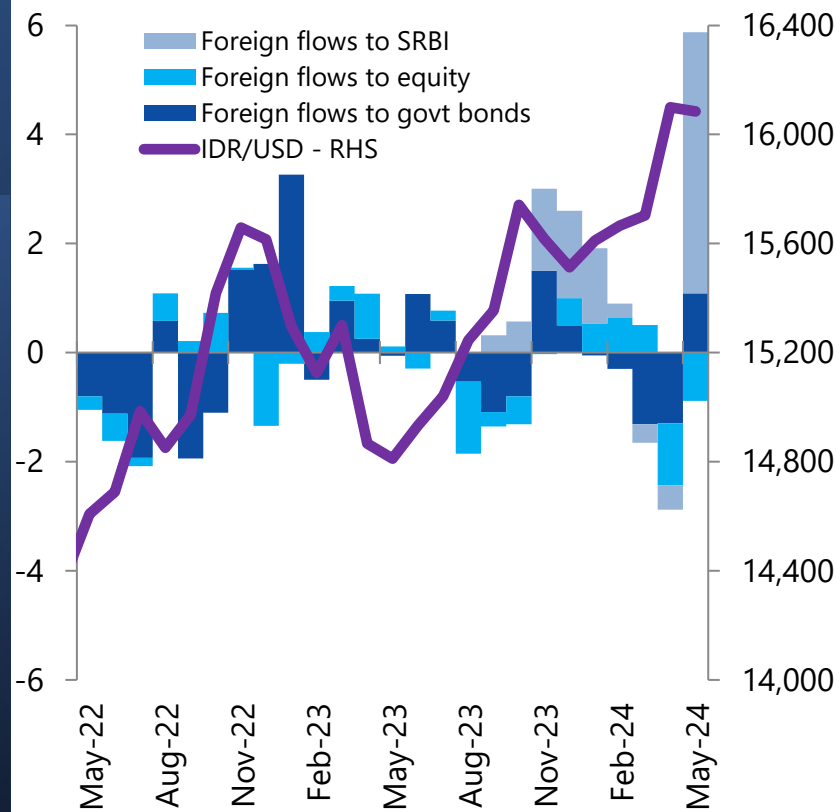


Source: BPS; CEIC; World Bank staff calculations.

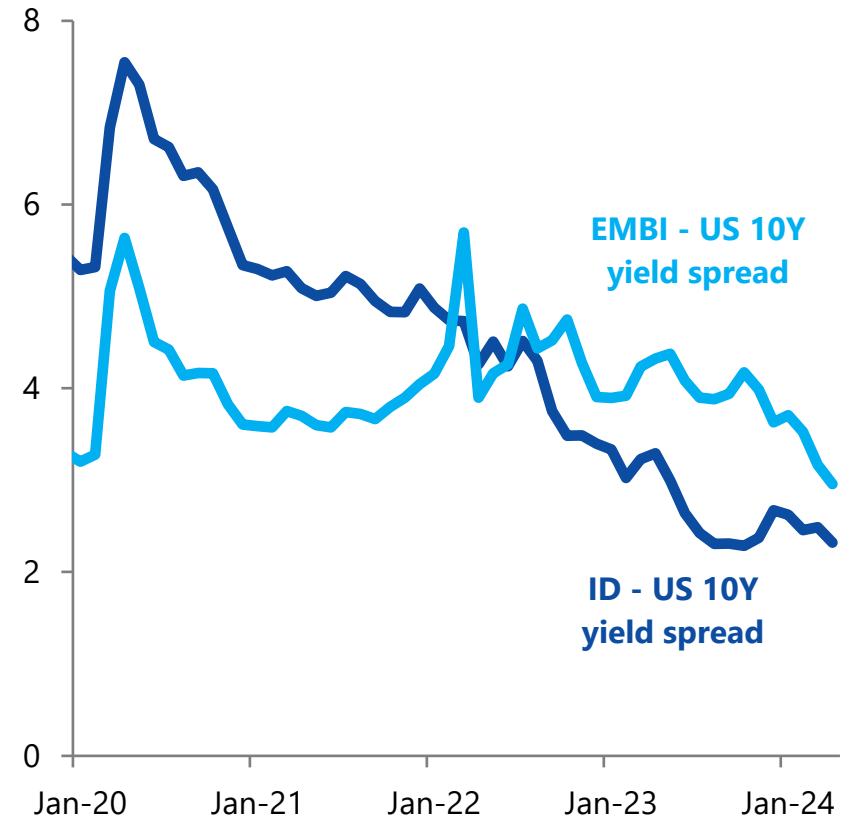


External pressures on the rise but risks remain moderate

Capital Flows and Exchange Rate
(LHS: USD billion; RHS: IDR/USD)



Sovereign Spread
(percentage points)



Source: BI; MoF; IDX; JP Morgan; CEIC; World Bank staff calculations.

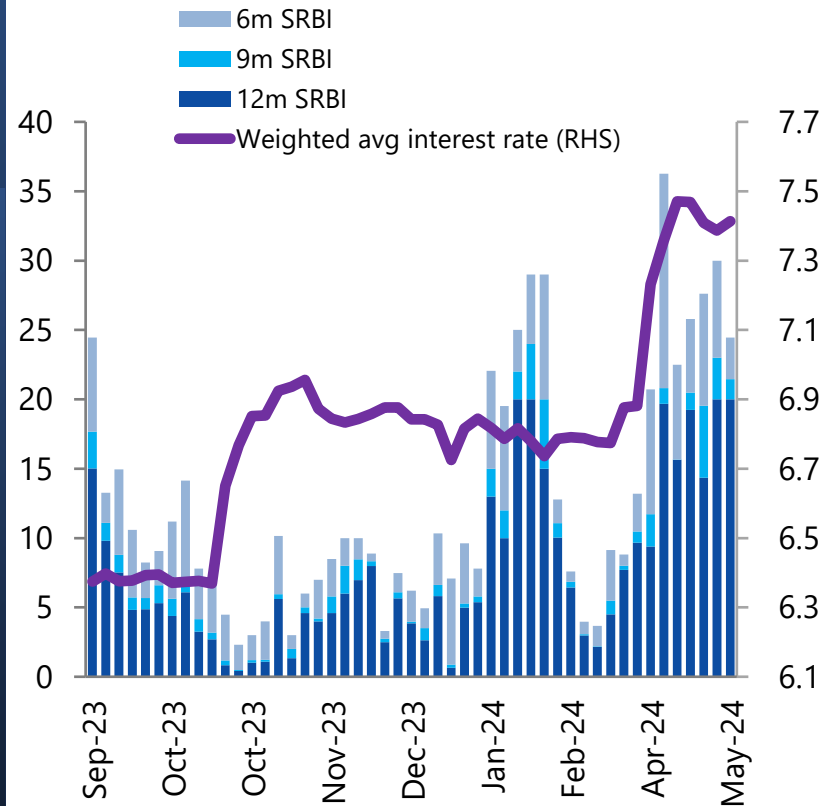




These conditions have prompted a combination of **monetary prudence and fiscal expansion**

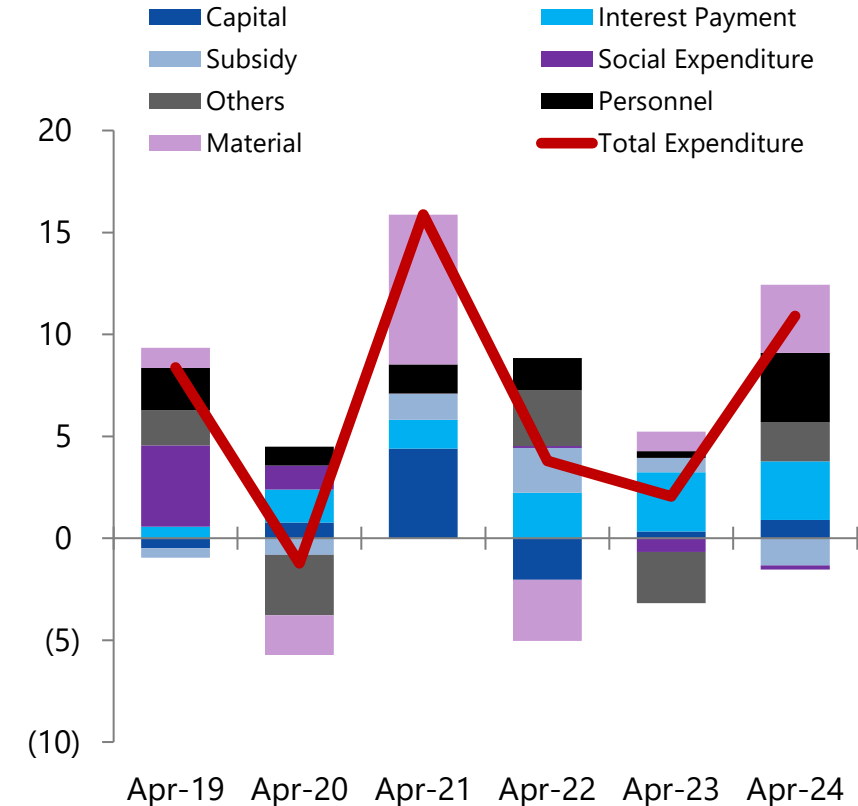
Capital Flows and Exchange Rate

(LHS: USD billion; RHS: IDR/USD)



Central Government Spending

(percent and percentage points contribution to yoy growth)



Source: BI; MoF; CEIC; World Bank staff calculations.



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Steady growth with downside risks from global economy

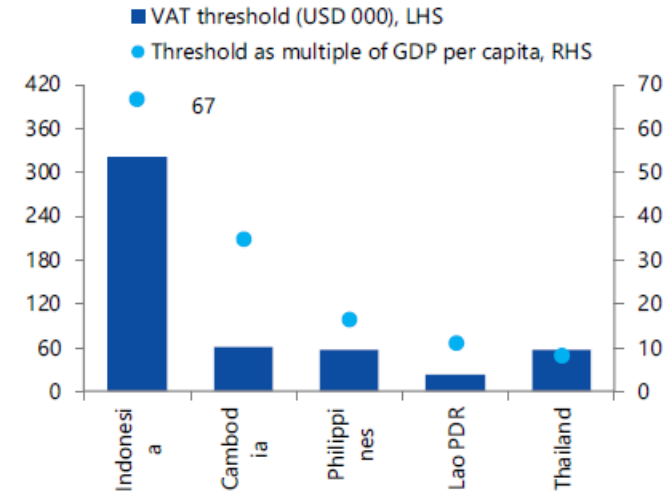
Selected Macro Indicators	2021	2022	2023	2024	2025	2026
	Actual			Projection		
GDP and prices, percent change						
Real GDP	3.7	5.3	5.0	5.0	5.1	5.1
Consumer price inflation, year average	1.6	4.1	3.7	3.0	2.9	2.9
Fiscal and external, percent of GDP						
Fiscal balance	-4.6	-2.4	-1.7	-2.5	-2.5	-2.4
Central government debt	40.7	39.5	39.0	39.0	39.1	38.9
Current account balance	0.3	1.0	-0.1	-0.9	-1.4	-1.6
Net foreign direct investment	1.5	1.4	1.1	1.3	1.4	1.5

Source: World Bank staff estimates.



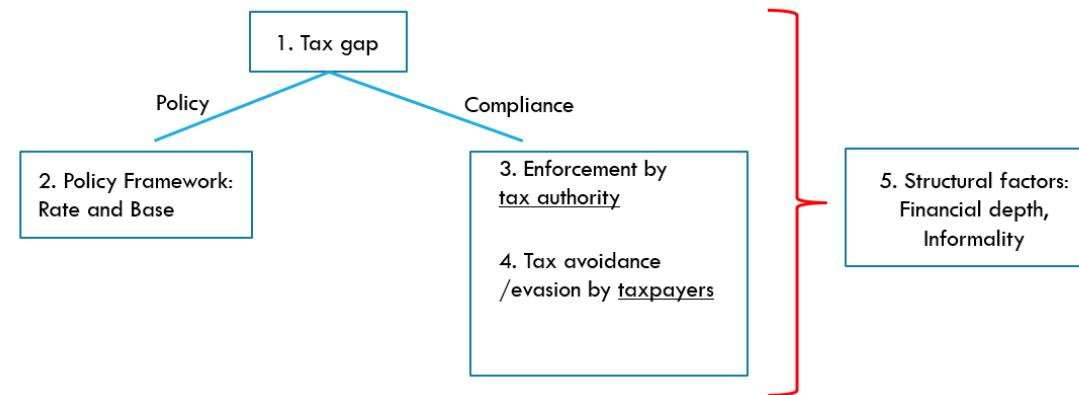
These conditions have prompted a combination of **monetary prudence and fiscal expansion**

Figure A.35: Indonesia's high VAT thresholds narrow the tax base and lower the efficiency of collection (US\$ 000 for VAT threshold, LHS; ratio of threshold to per capita GDP in 2022, RHS)



Source: IMF Tax Policy Assessment Framework (TPAF), World Bank staff calculations.

A FRAMEWORK TO IDENTIFY KEY DRIVERS OF LOW TAX REVENUE





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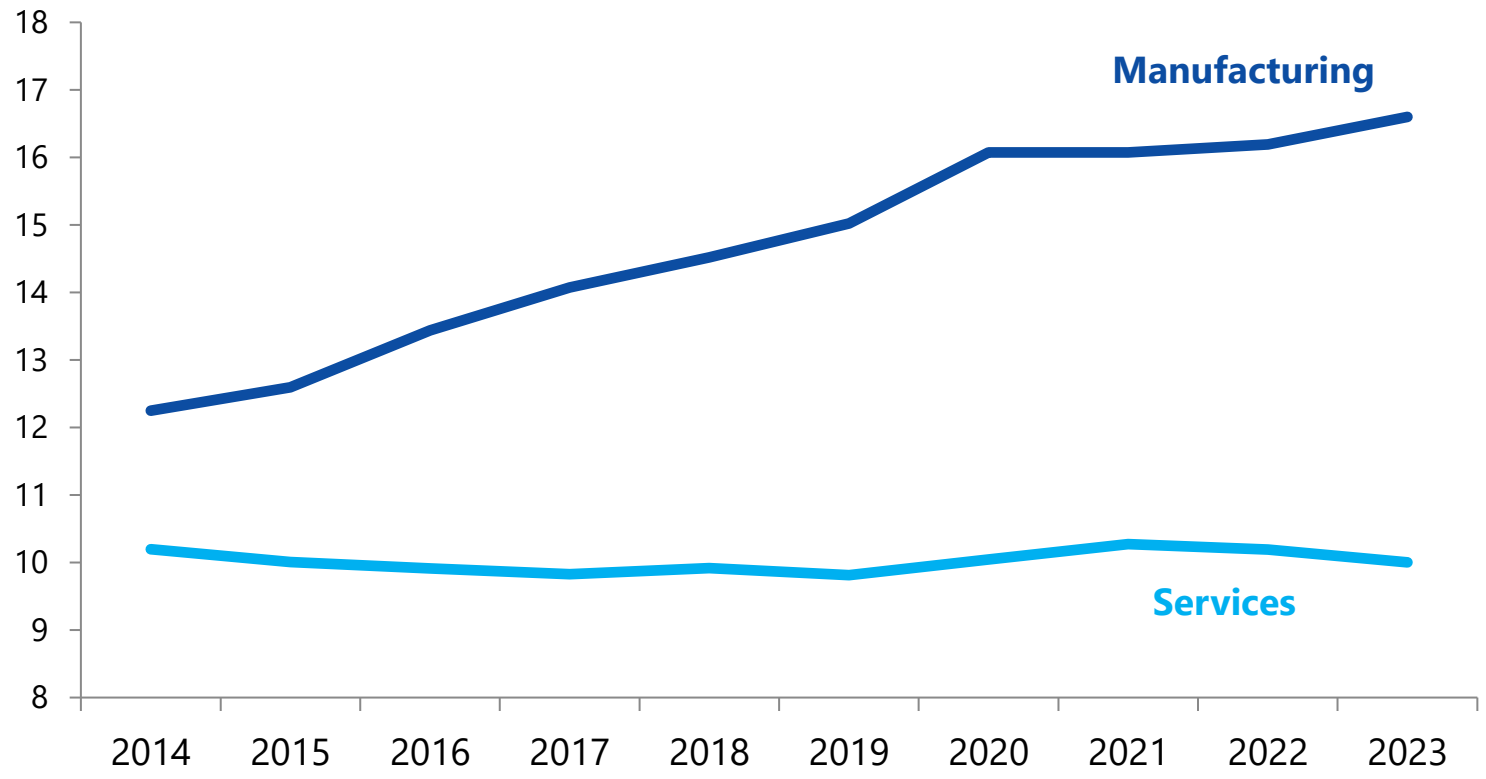


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Increased concentration in manufacturing could signal competitiveness challenges

Herfindahl-Hirschman Index
(concentration index)

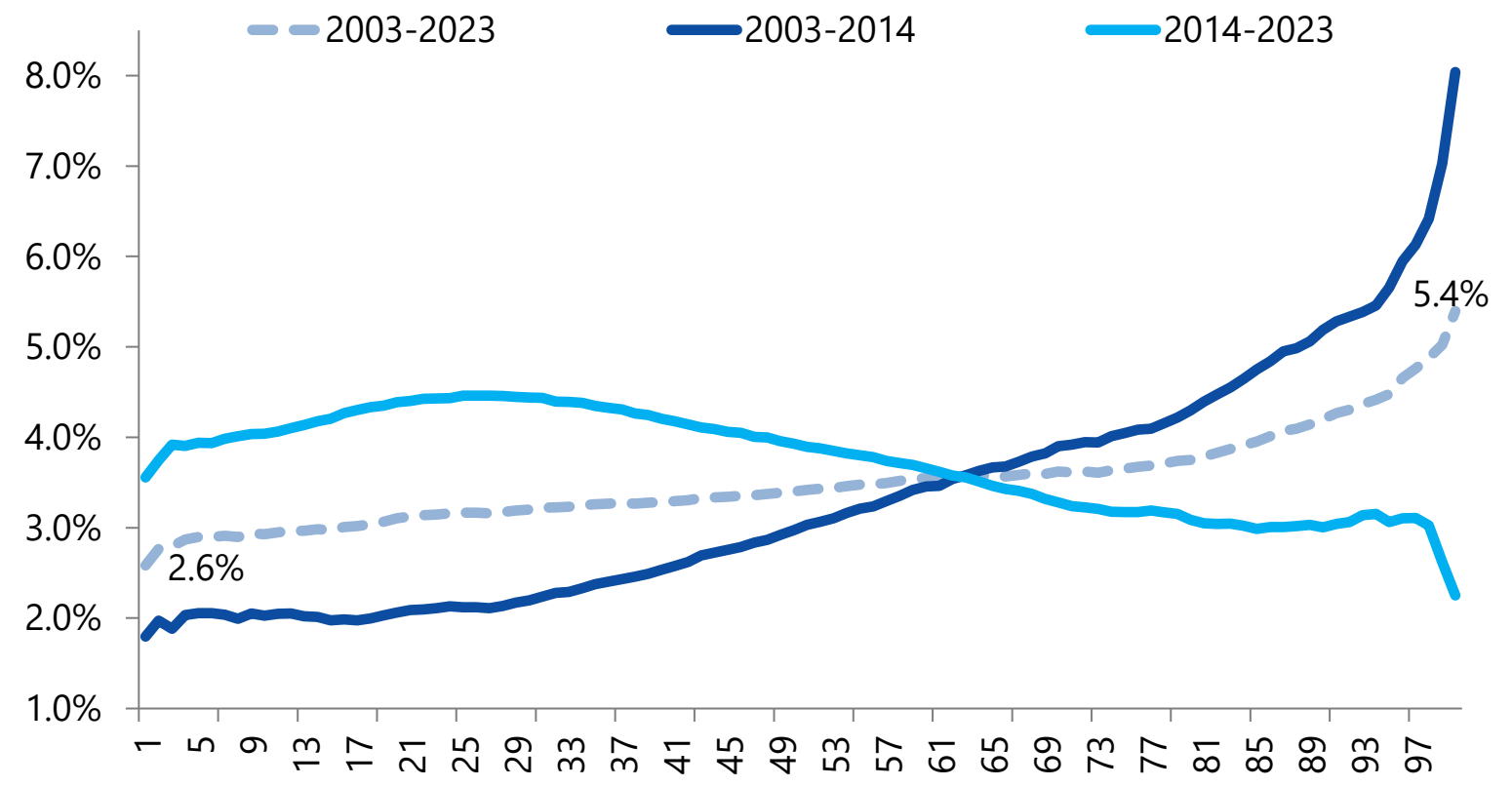


Source: BPS; CEIC; World Bank staff calculations.



Scope to improve the inclusivity of growth by tackling labor market trends

Consumption Growth by Income Percentile
(percent, yoy)

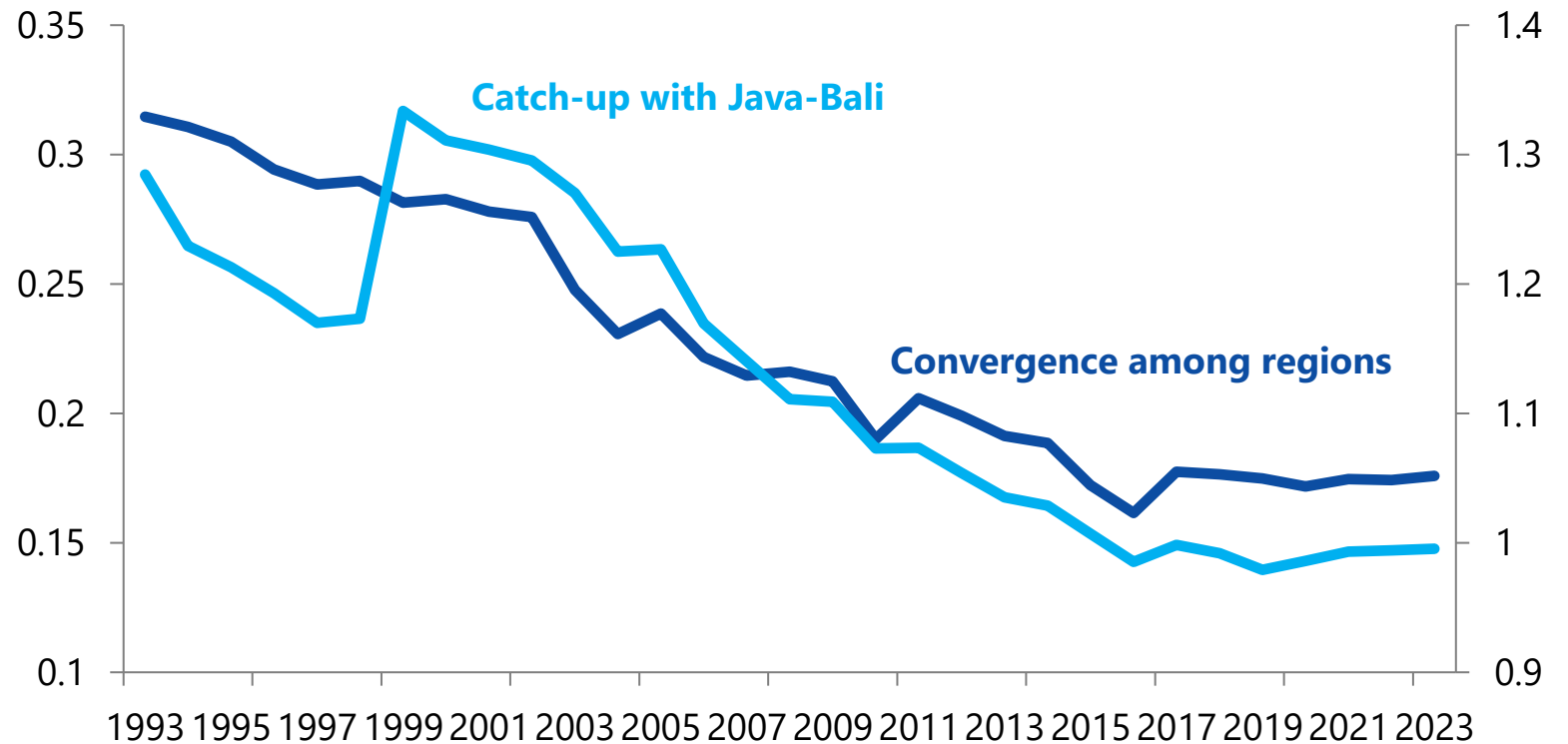


Source: Sakernas 2003-24; BPS; World Bank staff calculations.



Despite robust growth, there is scope to **accelerate regional income convergence**

Sub-national Income Convergence Gap and Catch-up Ratio
(mean log deviation of income per capita; LHS: average income gap; RHS: average GDP/capita to Java-Bali)

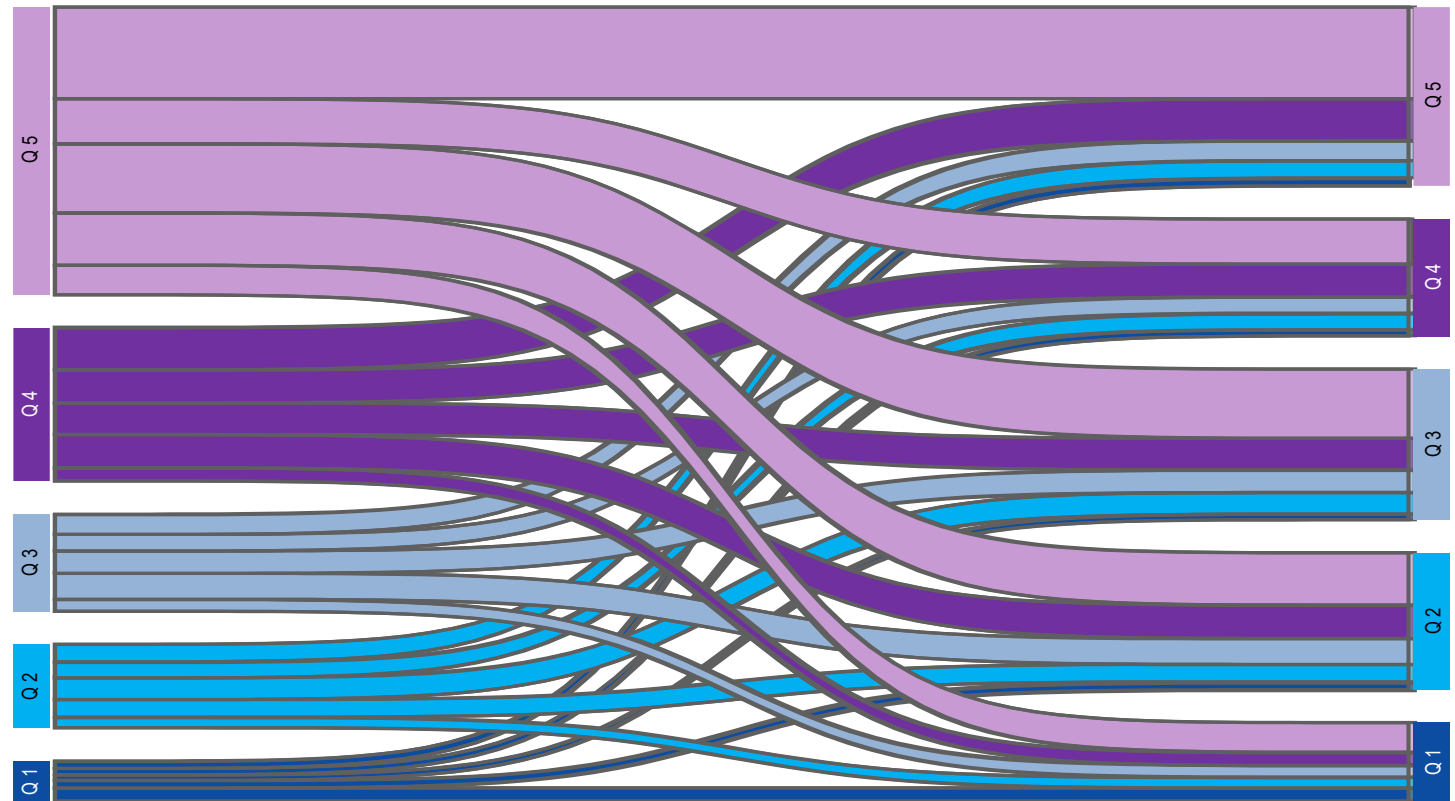


Source: BPS; CEIC; World Bank staff calculations.

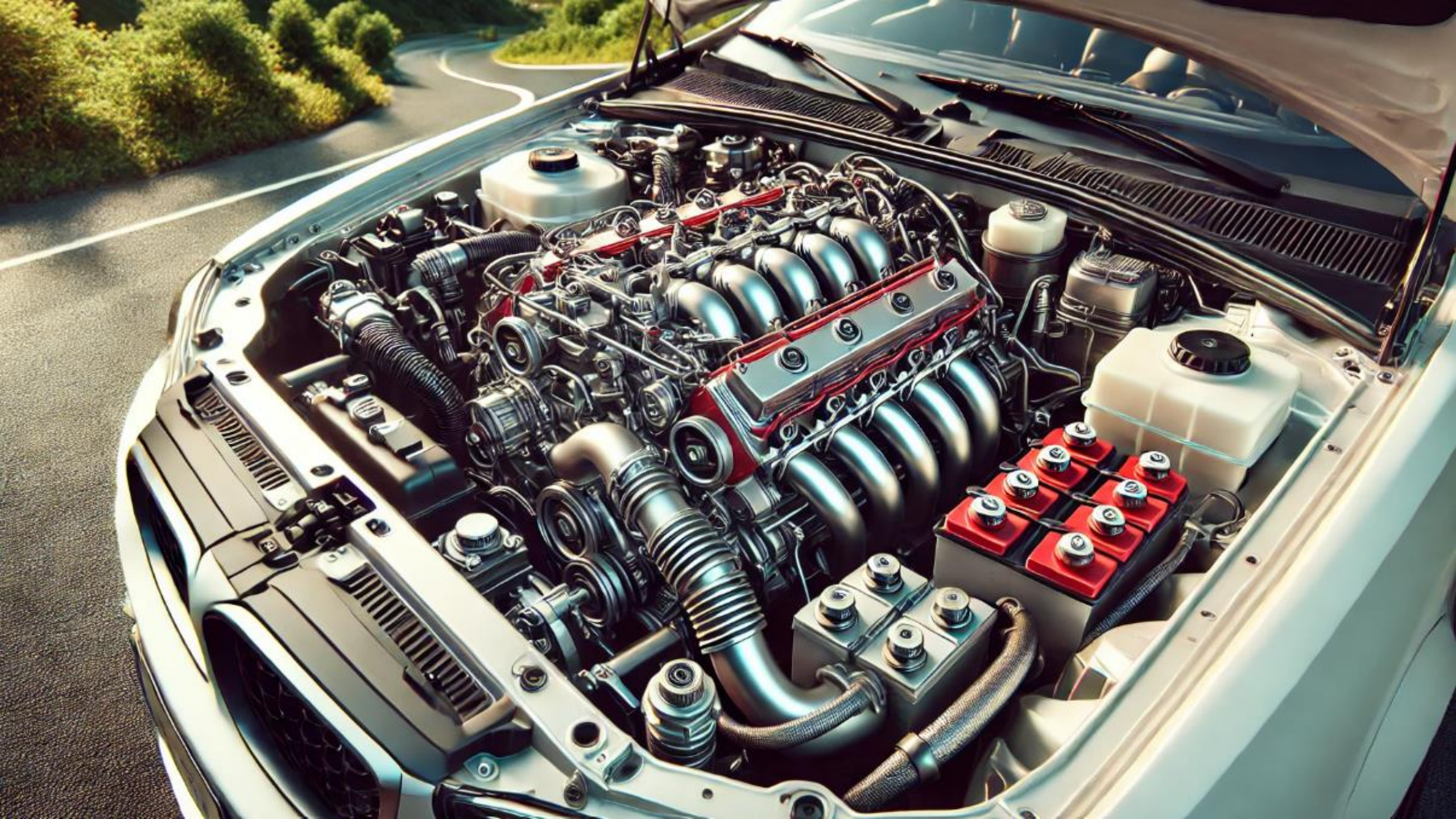


5-Year Migration Flows by District Income Level *(district quintile by median per consumption per capita)*

**Inclusive growth
will require
mobility to take
on new jobs
in higher
productivity
sectors and higher
productivity places**



Source: Susenas; BPS; World Bank staff calculations.



Thank You

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