

### World GDP Growth Moderately:

2.4%–3.1% (IMF, OECD, World Bank)

#### Three Global Forces

1. Softer global policy rates with contained inflation risks
2. Rising geopolitical tensions and regulatory uncertainty, hence trade and financial fragmentation
3. China's slowdown, overcapacity, and weaker demand



### Domestic Pressure

#### Household Consumption

 Softer consumer confidence, partly due to underemployment and informality

 Credit growth has slowed as households adopt more precautionary saving behavior or have started to dissolve



The economy in 2026 is unlikely to converge to the administration's ambition of 8-percent growth by 2029, unless some catalysts and policy reforms are properly executed.

### Three catalysts (3Cs):

**Certainty:** strengthen the rule of law and regulatory quality to reduce the cost of doing business, as well as improve predictability, contract enforcement, and credibility of commitments



**Capability:** support the workforce to deliver more complex production, technology adoption, and movement into higher value-added activities

**Capital:** creating more competitive markets, access to finance, nurture social capital and cohesion



These 3Cs' catalysts include reducing asymmetric barriers, improving competition enforcement, and aligning industrial incentives with measurable efficiency gains.

### Macro conditions

 Inflation contained

 External buffers improved vs. past cycles



#### Limited fiscal space

 Narrow tax base

 Rising public spending needs for the administration's flagship programs

 Higher pressures on debt service

**Drivers of growth are weakening in quality**

 Household consumption softens and is under pressure

 Investment is losing momentum

 fiscal space is constrained

 Productivity gains have slowed

#### Monetary policy

 Trade-offs between supporting growth and preserving financial stability amid volatile global conditions.

### 2026 Outlook

Narrowing trade surplus as global demand moderates, less favorable commodity prices, and intensifying trade frictions

 Capital outflows amid global uncertainty and subdued foreign direct investment

 Trade sourcing and investment decision increasingly determined by political factors

 Flight to safe assets

 Potential upside: Successful trade negotiations improving market access and exports

### Recommendations



Indonesia's 2026 outlook calls for a shift beyond macro stability toward credible structural and productivity reforms.



Policy should prioritize strengthening revenue mobilization, refocusing spending toward high-multiplier investment, and advancing institutional reforms, particularly rule of law, competition, and regulatory simplification.



The private sector adapts through demand diversification, input-risk management, skills upgrading, and early alignment with sustainability requirements.

