

# IBC BUSINESS OUTLOOK 2026

## Inflection: Breaking the Growth Plateau

### 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

### Macro conditions

- Inflation contained
- External buffers improved vs. past cycles

Indonesia  
Growth Outlook

~5%

### 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

### Limited fiscal space

- Narrow tax base
- Rising public spending needs for the administration's flagship programs
- Higher pressures on debt service

### Monetary policy

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

### 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 dissave

#### Investment

- Wait-and-see behavior by firms
- Concentrated in capital-intensive sectors and commodity-dependent industries with limited employment and productivity spillovers

### 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

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

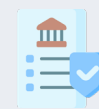
**Capital:** creating more competitive markets, access to finance, nurture social capital and cohesion

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

### 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.

