Boosting the Recovery

Indonesia Economic Prospects, June 2021

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Impact
Policy response
Economic outlook
Policy priorities
Economy getting back on its feet after several COVID punches

Real GDP growth in 2020, in percent

Source: World Economic Outlook, IMF.

Real GDP relative to pre-crisis trend, in percent

The poorest and most vulnerable have been hit the hardest

Impacts on firms, workers, and households (%)

Poverty rate (%, 2019-2020)


Source: BPS, World Bank staff calculations.
Fiscal support cushions the economy from a larger bruise

Increase in primary deficit 2019-2020 (% points of GDP)

Spending level vs. spending growth 2019-2020


Source: Haver Analytics, IMF WEO, World Bank staff calculations.
Assisted by a dose of monetary policy

Portfolio flows (US$ bn), Real Effective Exchange Rate (Index)

Source: IIF, BIS, World Bank staff calculations.

Inflation-inflation target vs. real policy rate (%)

Source: Haver Analytics, World Bank staff calculations.
Private credit has fallen with moderate increase in corporate health concerns

Credit growth (% year-on-year)

Corporate Vulnerability Index (1=most vulnerable)

Source: OJK.

Source: Bloomberg, WB staff calculations.
The fight against COVID enters another round

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
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<tbody>
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<td>Actual</td>
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<tr>
<td>Real GDP</td>
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<td>-2.1</td>
<td>4.4</td>
<td>5</td>
<td>5.1</td>
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<td>CPI (year-average)</td>
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<td>2.3</td>
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<td>3.2</td>
<td>3.4</td>
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<tr>
<td>Fiscal Balance</td>
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<td>Central Government Debt</td>
<td>30.2</td>
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<td>Current account balance</td>
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<td>Projection</td>
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Upside risks:
- Boost in consumer confidence
- Successful vaccination campaign

Downside risks:
- Tight external finance
- Weaker global growth
- New COVID wave
Recent acceleration in daily cases is cause for health, social and economic concerns.

Authorities have established sound vaccination strategy. Supply constraints are starting to ease. Prioritize geographic locations where transmission rates are the highest.

Successfully containing the pandemic will also rest on adequate testing-tracing-isolation, along with non-pharmaceutical interventions.
Maintaining accommodative monetary policy and managing external pressures

- Domestic economic conditions: output gap, inflation
- External vulnerabilities: US monetary policy, external financing pressures
- Coordination with fiscal policy: recovery in domestic demand, financing needs
Balancing fiscal support with fiscal sustainability

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General government revenue (% of GDP)

-4 -3 -2 -1 0 1 2 3


Fiscal rule
No Reform
Expenditure and Revenue Reforms
Expenditure Cuts

Source: WB staff calculations.
Thank You

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