SHIPPING NETWORKS OF INDONESIA

A Sub-national Competitiveness Analysis

Editors: Hilda Kurniawati Ng Wee Yang Tan Kway Guan

Lee Kuan Yew School of Public Policy
Asia Competitiveness Institute

NUS National University of Singapore

Shipping Networks of Indonesia: A Sub-national Competitiveness Analysis

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About ACI

The Asia Competitiveness Institute (ACI) was established in August 2006 as a Research Centre at the Lee Kuan Yew School of Public Policy (LKYSPP), National University of Singapore (NUS). It aims to build the intellectual leadership and network for understanding and developing competitiveness in the Asia region. ACI seeks to contribute to the enhancement of inclusive growth, living standards, and institutional governance through competitiveness research on sub-national economies in Asia. It identifies mitigating issues and challenges for potential public policy interventions through close collaboration with regional governments, business corporations, policy think-tanks, and academics. ACI's three key research pillars include (I) Sub-national economies level competitiveness analysis; (II) The development of digital economy and its implications in 16 Asia economies; and (III) Singapore's long-term growth strategies and public policy analysis.

ACI's value propositions may be encapsulated in its acronym:
Analytical inputs to initiate policies for policy-makers and business leaders in Asia
Capacity building to enable others through improvement in productivity and efficiency
Intellectual leadership to create pragmatic models of competitiveness and inclusive growth

Vision and Mission

- ACI's over-arching vision is to build up its research credibility with policy impact, contributing as a professional, world-class think-tank.
- ACI's mission is to establish our niche as a leading policy think-tank by identifying development trends, opportunities, and challenges among Asian economies and business corporations.
- ACI endeavours to articulate sound recommendations, promote discussion, and shape research agenda in the arena of public policy amongst Asian governments.
- ACI undertakes evidence-based analysis of public policy issues and decisions, in order to provide assessment of their effectiveness as well as economic and societal impact.

Preface

The past year presented significant challenges for the global economy, with disruptions in energy and food supplies, coupled with high inflation. However, 2024 has marked a gradual recovery, with global economic growth improving from 3.0 percent in 2023 to 3.2 percent. Similarly, Indonesia's economy has remained resilient, growing at 5.03 percent, supported by private consumption and government spending. Both household and government expenditures were notably strong due to seasonal factors, such as increased transfers and subsidies associated with the presidential election in February and the local executive elections in November 2024. The country has also successfully controlled inflation at 1.57 percent (yoy), aided by Bank Indonesia's proactive monetary policies, including pro-market strategies, macroprudential incentives, and measures to boost private credit growth.

While much research on Indonesia's economy focuses on national trends, the Asia Competitiveness Institute (ACI) at the Lee Kuan Yew School of Public Policy (LKYSPP), National University of Singapore (NUS), has been committed to studying economic dynamics at the subnational level. Through annual empirical studies, ACI analyses and ranks the competitiveness of Indonesia's six regional and 34 provincial economies, providing insights that help policymakers identify strengths and areas for improvement.

The twelfth edition of this book continues to assess the competitiveness of Indonesia's subnational economies while also examining the country's shipping network landscape. As an archipelagic nation, Indonesia relies heavily on maritime ports and shipping for economic growth and development. However, port development remains lagging, as evidenced by low shipping volumes and uneven progress. By integrating our flagship provincial competitiveness analysis with trade and shipping data—and using West Kalimantan as a case study—our study found that despite the province's strategic location and abundant resources, both international and domestic trade remain limited. Challenges such as a shortage of skilled labour and inadequate infrastructure continue to pose significant obstacles.

As Indonesia continues to strengthen its economic foundations, this book provides valuable perspectives on subnational competitiveness, enabling policymakers to make informed decisions for sustainable and inclusive growth. I am confident that the insights from this book will serve as a useful reference for stakeholders working towards a more competitive and resilient Indonesia.

Professor Paul Cheung
Director, Asia Competitiveness Institute
Lee Kuan Yew School of Public Policy
National University of Singapore

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Executive Summary

In 2024, the global economy has shown signs of recovery following the significant challenges of 2023, which were marked by energy and food disruptions, high inflation, and labour market tightness. In line with this global recovery, Indonesia has successfully sustained economic growth and kept inflation under control. This resilience was largely driven by strong household and government expenditures, particularly as the country held both presidential and local executive elections during the year. Additionally, the government's continued efforts to address key economic challenges from the previous year contributed to the resilience. As outlined in the 2024 State Budget, policy priorities in 2024 included maintaining price stability, eradicating extreme poverty, reducing stunting prevalence, and boosting investment. The Central Bank of Indonesia (BI) also implemented progressive monetary easing through optimised low-cost market operations and targeted interventions to stabilise prices throughout the year.

As a result, Indonesia's GDP growth remained solid at 5.03 percent in 2024. Household and government expenditures were particularly strong, growing at 4.9 percent and 6.6 percent annually, respectively. Inflation also declined from 2.61 percent (yoy) in 2023 to 1.57 percent (yoy) in 2024, aligning with BI's target range of 2.5 percent $\pm$ 1 percent. In terms of sectoral growth, Information and Communication (7.6%) and Construction (7%) recorded the highest expansion, whereas the Manufacturing sector's annual growth remained stagnant at 4.4 percent, constrained by the global economic slowdown.

The study by the Asia Competitiveness Institute (ACI) explores the competitiveness of Indonesia's 34 sub-national economies, analysing them at both provincial and regional levels. **Chapter 1** provides a concise overview of the country's socioeconomic performance amidst global economic uncertainties. It highlights how the Indonesian government has proactively navigated these challenges and presents an outlook for the nation's economic trajectory in 2025. This chapter guides readers in identifying the key sectors driving Indonesia's growth while also pinpointing those most impacted by global challenges. Notably, the Information and Communication sector continued to record the fastest growth rate since the pandemic, whereas the Agriculture, Forestry, and Fishery sector experienced the slowest growth, largely due to adverse climate conditions affecting agriculture and food supply.

Chapter 2 provides an annual update on Indonesia's provincial competitiveness analysis. According to the latest rankings of the country's 34 provinces, the top positions were largely dominated by Java provinces, with East Kalimantan as the only non-Java province securing fourth place. Despite this disparity, the chapter also highlights significant progress made by non-Java provinces. Notably, North Maluku entered the top 10 in the Macroeconomic Stability environment for the first time. West Sumatra and South Sulawesi demonstrated remarkable improvements in Government and Institutional Setting, while North Kalimantan showed strong performance in Financial, Business, and

Manpower Conditions. Meanwhile, Quality of Life and Infrastructure Development remained the only category dominated by Kalimantan provinces, with South Kalimantan and East Kalimantan securing first and third positions, respectively. This chapter also includes a case study of three provinces—Aceh, North Sulawesi, and Papua—each addressing key challenges that hinder their economic competitiveness.

Chapter 3 explores the competitiveness of various regions in Indonesia. Most regions maintained their rankings from the previous year, with the Java region holding the highest position, while the Maluku-Papua region remained at the lowest. In line with provincial-level findings, the chapter also highlights gradual improvements in certain regions. For instance, Kalimantan surpassed Java in Quality of Life and Infrastructure, while Sumatra excelled in Government and Institutional Setting. The lowest-ranked region, Maluku-Papua, has also made notable progress in Financial, Business, and Manpower Conditions. However, both Sulawesi and Bali-Nusa Tenggara require more focused efforts to address region-specific challenges, as they were the only regions to experience significant declines across several environments in 2024.

A thematic study for this edition is presented in **Chapter 4**, highlighting the significance of maritime shipping and port development for Indonesia as an archipelagic country. This chapter emphasises that Indonesia has lagged in port development, as reflected in low shipping volumes and uneven growth. By integrating our flagship provincial competitiveness analysis with detailed trade and shipping data—using West Kalimantan as a case study—this chapter underscores the province's comparative advantage in rare earth elements and minerals. However, most shipping activity in West Kalimantan remains domestically oriented, with raw materials transported to manufacturing hubs in other parts of Indonesia, such as Java and the Riau Islands. To maximise its economic potential, West Kalimantan could improve transportation infrastructure, strengthen the local value chain, and invest in workforce upskilling and reskilling.

Acknowledgements

This year's Annual Competitiveness Analysis and Socio-Economic Development of Indonesia's Subnational Economies is supervised by Tan Kway Guan with contributions by Hilda Kurniawati, Ng Wee Yang, Miranda Lu, Dr Yi Xin, and a special contribution by a team of researchers comprising Abdurrahman Alghani, Adam Lee Yenzhe and Nikko Chng Xinju.

In this book, we have updated previous sub-national and regional competitiveness indices with the latest available data. Our comprehensive approach to measuring competitiveness takes into account different factors that collectively shape the ability of a nation or region to achieve substantial and inclusive economic development over a sustained period of time. In addition, we include a case study on the shipping network of Indonesia. This case study aims to examine the potential for the province of West Kalimantan to leverage the upcoming Kijing International Port.

This book would not have been possible without the support of our research and administrative colleagues. In particular, we would like to extend our sincere thanks to the competent and dedicated administrative team at ACI, including Cai Jiao Tracy, Lyne Po Lai Yin, Dewi Jelina Ayu Binte Johari, and Atiqah Binte Rahmat. We also would like to note with great appreciation the contributions from ACI Director Professor Paul Cheung and the research staff – Dr Ammu George, Dr Banh Thi Hang, Dr Liang Zixuan, Dr Liu Jingting, Dr Xie Taojun, Dr Zhang Yuqing, Akshaya Balaji, Brenda Lee Juan Xin, Christy Wong Ka Ying, Guo Meiling, Huang Yijia, Lian Huiyuan, Lu Weilin, Riddhimaa Gupta, Scarlet Xu Ni, Ulrike Sengstschmid and Yan Bowen.

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List of Abbreviations

ACI	Asia Competitiveness Institute
AFI	Attractiveness to Foreign Investors
APBD	Regional Budget (*Anggaran Pendapatan dan Belanja Daerah*)
APBN	State Budget (*Anggaran Pendapatan dan Belanja Negara*)
ASEAN	Association of Southeast Asian Nations
ASN	State Civil Apparatus (*Aparatus Sipil Negara*)
BI	Central Bank of Indonesia (*Bank Indonesia*)
BI7DRR	BI 7-Day Reverse Repo Rate
BKPM	Ministry of Investment and Downstreaming (*Kementerian Investasi dan Hilirisasi/Badan Koordinasi Penanaman Modal Republik Indonesia*)
BLT	Village Fund Direct Cash Assistance (*Bantuan Langsung Tunai*)
BPDPKS	Palm Oil Plantation Fund Management Agency (*Badan Pengelola Dana Perkebunan Kelapa Sawit*)
BPS	Indonesia's Bureau of Statistics (*Badan Pusat Statistik*)
BRICS	Brazil, Russia, India, China, and South Africa
BTS	Base Transceiver Stations
CI	Competitiveness Index
CPI	Consumer Price Index
CPO	Crude Palm Oil
CRSRL	Competition, Regulatory Standards and Rule of Law
DAK	Special Allocation Funds (*Dana Alokasi Khusus*)
DAU	General Allocation Funds (*Dana Alokasi Umum*)
DBH	Revenue Sharing Funds (*Dana Bagi Hasil*)
DI	Special Region (*Daerah Istimewa*)
DKI	Special Capital (*Daerah Khusus Ibukota*)
DXY	US Dollar Index
EU	European Union
EV	Electric Vehicles
FBMC	Financial, Businesses and Manpower Conditions
FDBE	Financial Deepening and Business Efficiency
FDI	Foreign Direct Investment
FFR	Federal Funds Rate
GCI	Global Competitiveness Index
GDP	Gross Domestic Product
GEDSI	Gender Equality, Disability, and Social Inclusion
GIS	Government and Institutional Setting
GPFS	Government Policies and Fiscal Sustainability

GRDP	Gross Regional Domestic Product
HCI	Human Capital Index
HDI	Human Development Index
IDR	Indonesian Rupiah
ICT	Information and Communications Technology
IGL	Institutions, Governance and Leadership
IKN	Nusantara Capital City (*Ibu Kota Negara*)
IMD	International Institute for Management Development
IMF	International Monetary Fund
INDO-DAPOER	Indonesia Database for Policy and Economic Research
IsDB	Islamic Development Bank
JKN	National Health Insurance (*Jaminan Kesehatan Nasional*)
KEK	Special Economic Zone (*Kawasan Ekonomi Khusus*)
KIS	Indonesia Health Card (*Kartu Indonesia Sehat*)
K/L/D	Ministries/Agencies/Regional Government (*Kementerian/Lembaga/Daerah*)
KPK	Corruption Eradication Commission (*Komisi Pemberantas Korupsi*)
KUR	People's Business Credit (*Kredit Usaha Rakyat*)
LMF	Labour Market Flexibility
LPG	Liquefied Petroleum Gas
LKYSPP	Lee Kuan Yew School of Public Policy
LVC	Land Value Capture
MINT	Mexico, Indonesia, Nigeria, and Turkey
MoU	Memorandum of Understanding
MP3EI	Masterplan for Acceleration and Expansion of Indonesia's Economic Development 2011-2015
MS	Macroeconomic Stability
MSMEs	Micro, Small, and Medium Entreprises
NTB	West Nusa Tenggara (*Nusa Tenggara Barat*)
OECD	Organisation for Economic Co-operation and Development
OTS	Openness to Trade and Services
PAD	Regional Original Income (*Pendapatan Asli Daerah*)
PAUD	Pre-school Education (*Pendidikan Anak Usia Dini*)
PBB	Land and Building Tax (*Pajak Bumi Bangunan*)
PEKPPP	Monitoring and Evaluation of Public Service Performance (*Pemantauan dan Evaluasi Penyelenggaraan Pelayanan Publik*)
PI	Physical Infrastructure
PKH	Family Hope Program (*Program Keluarga Harapan*)
PNBP	Non-tax State Revenue (*Penerimaan Negara Bukan Pajak*)
PP	Productivity and Performance
PPh	Income Tax (*Pajak Penghasilan*)
PPN	Value-added Tax (*Pajak Pertambahan Nilai*)

PPP	Public-Private Partnerships
PPU	Penajem Paser Utara
PSN	National Strategic Project (*Proyek Strategis Nasional*)
PUPR	Ministry of Public Works and Housing (*Kementerian Ministry of Public Works and Housing*)
QLID	Quality of Life and Infrastructure Development
RAPBN	State Budge Draft (Rancangan Anggaran Pendapatan dan Belanja Negara)
REV	Regional Economic Vibrancy
RPJMN	National Medium-Term Development Plan (*Rencana Pembangunan Jangka Menengah Nasional*)
RPJPN	National Long-Term Development Plan (*Rencana Pembangunan Jangka Panjang Nasional*)
PBB	Land and Building Tax (*Pajak Bumi dan Bangunan*)
PISA	Program for International Student Assessment
PMI	Purchasing Managers' Index
PSN	National Strategic Project (*Proyek Strategis Nasional*)
PPh	Income Tax (*Pajak Penghasilan*)
QR	Quick Response
RRR	Reserve Requirement Ratio
SAKERNAS	National Labour Survey (*Survey Angkatan Kerja Nasional*)
SBN	Government Bond Issuance (*Surat Berharga Negara*)
SDGs	Sustainable Development Goals
SER	School Enrollment Ratio
SEZ	Special Economic Zone
SFI	Sharia Financial Institution
SLESS	Standard of Living, Education and Social Stability
SMA	Senior High School (*Sekolah Menengah Atas*)
SMK	Vocational School (*Sekolah Menengah Kejuruan*)
SNGs	Subnational Governments
SOEs	State-owned Enterprises
SRBI	Bank Indonesia Rupiah Securities (*Sekuritas Rupiah Bank Indonesia*)
SPBE	Electronic-Based Government System (*Sistem Pemerintahan Berbasis Elektronik*)
SSGI	Indonesian Nutrition Status Survey (*Survei Status Gizi Indonesia*)
SUVBI	Bank Indonesia Foreign Currency Sukuk (*Sukuk Valuta Asing Bank Indonesia*)
SVBI	Bank Indonesia Foreign Currency Securities (*Sekuritas Valuta Asing Bank Indonesia*)
TEUs	Twenty-foot Equivalent Units
THR	Holiday Allowances (*Tunjangan Hari Raya*)
TI	Technological Infrastructure
TPAK	Labour Force Participation Rate (*Tingkat Partisipasi Angkatan Kerja*)

TPID	Regional Inflation Control Team (*Tim Pengendalian Inflasi Daerah*)
TPIP	Central Inflation Control Team (*Tim Pengendalian Inflasi Pusat*)
TVET	Technical and Vocational Education and Training
UNCTAD	United Nations Conference on Trade and Development
US	United States
USD	United States Dollar
VAT	Value-added Tax
WCY	World Competitiveness Yearbook
WEF	World Economic Forum
WHO	World Health Organization
y-o-y	year-on-year

List of Provinces

	Name of Province in English	Name of Province in Bahasa	Region
1	Aceh	Aceh	Sumatra
2	Bali	Bali	Bali-Nusa Tenggara
3	Bangka Belitung Islands	Kepulauan Bangka Belitung	Sumatra
4	Banten	Banten	Java
5	Bengkulu	Bengkulu	Sumatra
6	Central Java	Jawa Tengah	Java
7	Central Kalimantan	Kalimantan Tengah	Kalimantan
8	Central Sulawesi	Sulawesi Tengah	Sulawesi
9	DI Yogyakarta	DI Yogyakarta	Java
10	DKI Jakarta	DKI Jakarta	Java
11	East Java	Jawa Timur	Java
12	East Kalimantan	Kalimantan Timur	Kalimantan
13	East Nusa Tenggara	Nusa Tenggara Timur	Bali-Nusa Tenggara
14	Gorontalo	Gorontalo	Sulawesi
15	Jambi	Jambi	Sumatra
16	Lampung	Lampung	Sumatra
17	Maluku	Maluku	Maluku-Papua
18	North Kalimantan	Kalimantan Utara	Kalimantan
19	North Maluku	Maluku Utara	Maluku-Papua
20	North Sulawesi	Sulawesi Utara	Sulawesi
21	North Sumatra	Sumatera Utara	Sumatra
22	Papua	Papua	Maluku-Papua
23	Riau	Riau	Sumatra
24	Riau Islands	Kepulauan Riau	Sumatra
25	South Kalimantan	Kalimantan Selatan	Kalimantan
26	South Sulawesi	Sulawesi Selatan	Sulawesi
27	South Sumatra	Sumatera Selatan	Sumatra
28	Southeast Sulawesi	Sulawesi Tenggara	Sulawesi
29	West Java	Jawa Barat	Java
30	West Kalimantan	Kalimantan Barat	Kalimantan
31	West Nusa Tenggara	Nusa Tenggara Barat	Bali-Nusa Tenggara
32	West Papua	Papua Barat	Maluku-Papua
33	West Sulawesi	Sulawesi Barat	Sulawesi
34	West Sumatra	Sumatera Barat	Sumatra

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Chapter 1
Year in Review: Indonesia in 2024

1.1 Structure and Content of the Book

In this book, we provide an update on Indonesia's recent socioeconomic development and present the latest findings from the Asia Competitiveness Institute's (ACI) studies on Indonesia's sub-national economies. This edition includes the annual competitiveness analysis and simulation studies of Indonesia's provinces and regions, along with a detailed focus on Chapter 4's topic, which delves into shipping network of Indonesia.

The book is structured into four chapters, starting with this introductory chapter, which offers an overview of the book's content and acts as a guide for readers. Subsequent chapters are summarised to provide a glimpse into their key highlights. Chapter 2 focuses on the annual competitiveness analysis of Indonesia's provinces, one of ACI's flagship research initiatives. This analysis evaluates competitiveness through four environments: (i) Macroeconomic Stability (MS), (ii) Government and Institutional Setting (GIS), (iii) Financial, Businesses, and Manpower Conditions (FBMC), and (iv) Quality of Life and Infrastructure Development (QLID).

As depicted in Table 1.1, the special capital region (DKI) Jakarta continues to lead the overall competitiveness ranking, maintaining its top position since ACI's inaugural publication in 2013. East Java follows as the second-most competitive province. Notably, provinces in Java dominate the upper ranks, except for East Kalimantan, which ranks fourth. Despite a slight drop in 2024, East Kalimantan has consistently been in the top five since 2015, reflecting its strong socio-economic potential, particularly as the location of Indonesia's future capital. In contrast, provinces in Sulawesi and Maluku-Papua tend to occupy the lower tiers of the rankings.

Table 1.1: Table 1.1 Highlights of ACI's 2024 Overall Competitiveness Ranking of Indonesian Provinces, (Top-Five and Bottom-Five Provinces)

2024 Overall Competitiveness		Province	Region
Rank	Std. Scores		
1	3.395	DKI Jakarta	Java
2	1.831	East Java	Java
3	1.647	West Java	Java
4	1.190	East Kalimantan	Kalimantan
5	1.024	Central Java	Java
…	…	…	…
30	-1.038	Gorontalo	Sulawesi
31	-1.048	West Papua	Maluku-Papua
32	-1.166	Maluku	Maluku-Papua
33	-1.339	West Sulawesi	Sulawesi
34	-1.870	Papua	Maluku-Papua

Source: ACI

Chapter 2 also highlights significant progress made by non-Java provinces across various environments. For example, North Maluku enters the top 10 in Macroeconomic Stability for the first time, and Bali demonstrates considerable recovery in this environment post-COVID-19 pandemic. West Sumatra and South Sulawesi show notable improvements in Government and Institutional Setting, while North Kalimantan excels in Financial, Businesses, and Manpower Conditions. Additionally, the Quality of Life and Infrastructure Development environment is led by South Kalimantan and East Kalimantan, which secure first and second positions, respectively. This chapter also presents a case study of three provinces—Aceh, North Sulawesi, and Papua—highlighting the distinct challenges influencing their competitiveness based on the 2024 competitiveness index. The Aceh case study examines the impact of Sharia governance on its economic competitiveness, while North Sulawesi and Papua focus on the issues of decentralisation and low quality of life, respectively.

Chapter 3 analyses competitiveness at the regional level using the same framework as Chapter 2, where each region is an aggregation of several provinces based on their major island groupings. In this chapter, we note that the overall competitiveness ranking has remained unchanged from the previous year. Consistent with the provincial-level results presented in Chapter 2, the Java region ranks highest in competitiveness, while the Maluku-Papua region ranks lowest. Java's dominance is evident, as all of its provinces secure positions in the top 10, with its overall ranking score significantly higher than those of the other regions.

Despite certain weaknesses, Chapter 3 also reveals that a few regions have demonstrated gradual development, indicating their potential for growth. For example, Kalimantan surpasses Java in the Quality of Life and Infrastructure Development rankings, while Sumatra excels in Government and Institutional Setting as well as Financial, Businesses, and Manpower Conditions in 2024. Additionally, the Maluku-Papua region has made notable progress in Financial, Business, and Manpower Conditions. However, Sulawesi and Bali-Nusa Tenggara are the only regions to experience significant declines in several areas in 2024, underscoring the need for targeted efforts to address region-specific challenges.

Meanwhile, Chapter 4 explores the crucial role of maritime shipping and port development for Indonesia as an archipelagic nation. It highlights Indonesia's lag in port development, as evidenced by low shipping volumes and uneven regional growth. By integrating provincial competitiveness analysis with detailed trade and shipping data—using West Kalimantan as a case study—the chapter reveals that the province holds a comparative advantage in rare earth elements and minerals. However, most of its shipping activities remain domestically focused, with raw materials transported to manufacturing hubs in regions such as Java and the Riau Islands. To fully capitalise on the potential of its new port, West Kalimantan could move up the supply chain by leveraging its abundant resources, but progress is currently constrained by a shortage of skilled labour and inadequate infrastructure.

In light of global issues and challenges, tracking the progress and comparative advantages of each province has become increasingly important. It is expected that the book will provide empirical and policy guidance to Indonesia's policymakers, academics, and business players as they devise strategies. Understanding Indonesia's future policy direction, especially in the era of digitalisation, requires a compilation of competitiveness outlooks and provincial socioeconomic reviews.

1.2 Indonesia in 2024

1.2.1 Indonesia's Resilience and the Global Recovery

The global economy has experienced a gradual recovery in 2024, overcoming the major challenges of 2023, such as energy and food disruptions, high inflation, and labour market tightness. These shocks have moderated, allowing global GDP growth to improve from 3.0 percent in 2023 to 3.2 percent in 2024 (OECD (2024)). Global headline inflation rates have edged closer to central bank targets, declining from an annual average of 6.7 percent in 2023 to 5.8 percent in 2024, with advanced economies returning faster than emerging and developing countries (IMF (2024)). This has fostered consumer confidence and boosted household spending despite lingering uncertainties from geopolitical and regional tensions. Labour market tightness, caused by temporary pandemic-related effects, has eased in many countries, as indicated by a decrease in the job vacancies-to-unemployment ratio.

Global trade has also shown steady recovery, with annual growth estimated at 3.3 percent in 2024, reaching nearly USD 33 trillion (UNCTAD (2024)). This growth is driven by strong demand for services trade, which grew significantly by seven percent from last year. However, notable challenges remain. Heightened geopolitical tensions in the Middle East threaten oil supply security and disrupt supply chains, impacting oil-importing countries and causing shipping delays as container ships avoid the Red Sea Lane. Furthermore, increasing import-restrictive measures by major economies pose risks to global trade by raising import prices, escalating production costs, and reducing consumer purchasing power and living standards (OECD (2024).

In 2024, Asia experienced strong economic growth, driven primarily by robust demand in India and Indonesia, as well as newly announced stimulus measures in China and Japan. Within this global economic recovery, Indonesia's annual GDP growth in 2024 remained resilient at 5.03 percent, supported by robust private consumption and government spending (BPS (2025); The World Bank (2024)). Both household and government expenditures were notably strong, with annual growth rates of 4.9 percent and 6.6 percent, respectively, especially during the first half of the year. This trend aligned with seasonal factors such as the presidential election and Ramadan in Q1 2024, alongside various religious holidays in Q2 2024. Elevated government spending in early 2024 was driven by increased transfers and subsidies associated with the February presidential election.

Among Indonesia's top six largest industries, the Information and Communication as well as Construction sectors exhibited the highest growth in 2024, recording 7.6 percent and seven percent growth, respectively. The construction sector's performance was closely tied to the government's acceleration of national strategic projects (PSN) throughout the year. However, the manufacturing sector's annual growth remained stagnant at 4.4 percent due to the global economic slowdown, with the country's Purchasing Managers' Index (PMI) at 49.2 in September 2024, indicating a contraction from 52.2 in December 2023.

Indonesia's inflation, as measured by the Consumer Price Index (CPI), declined from 2.61 percent (yoy) in 2023 to 1.57 percent (yoy) in 2024. This fell within Bank Indonesia's target range of 2.5 percent $\pm$ 1 percent (Bank Indonesia (2025)). The decline was attributed to lower core inflation, which fell to 2.09 percent in September 2024, reflecting strong consumer purchasing power. Headline inflation also decreased significantly from its peak of six percent in September 2022 to 1.7 percent in October 2024, despite a temporary increase in early 2024 due to high food prices (OECD (2024)). These achievements were facilitated by various government measures, including optimising low-cost market operations and other targeted interventions to stabilise prices.

1.2.2 Indonesian Government Policy Review in 2024

In 2024, the Indonesian government implemented most of its policies to advance the goal of accelerating inclusive and sustainable economic transformation, aiming to achieve high-income country status by 2045 as outlined in Indonesia's Vision 2045. These economic transformation objectives align with the 2024 State Budget, which incorporates policy strategies across short, medium, and long-term horizons (Ministry of Finance (2023)). In the short term, the government prioritised price stability, eradicating extreme poverty, reducing stunting prevalence, and boosting investment. For medium and long-term goals, the government outlined four main strategies: fostering high-value-added economic activities, improving the quality of human capital, accelerating infrastructure development, and advancing institutional reforms alongside regulatory simplification.

This section will highlight the key policies implemented by the Indonesian government in 2024, focusing on the priorities outlined in the APBN 2024.

1.2.2.1 Policy Measures for Inflation Control, Rupiah Stability, and Credit Growth

Throughout 2024, Bank Indonesia (BI) has been progressively easing its monetary policy to control inflation and maintain price stability amidst global uncertainty. BI has adopted three primary strategies: targeting inflation, rupiah stability, and fostering private credit growth (The World Bank (2024); Bank Indonesia (2024a)). To support sustainable economic growth, BI set an inflation target for 2024 and 2025 within a range of 2.5 percent $\pm$ 1 percent. In September 2024, the central bank reduced the policy rate (BI Rate) by 25 basis points to six percent while keeping the deposit facility rate at 5.25 percent and the lending facility rate at 6.75 percent.

Maintaining rupiah stability has also been a key focus for BI in 2024 due to heightened global financial market uncertainty. To address pressures on the rupiah, BI implemented a pro-market operational strategy, introducing high-yielding monetary instruments such as Bank Indonesia Rupiah Securities (SRBI), Bank Indonesia Foreign Currency Securities (SVBI), and Bank Indonesia Foreign Currency Sukuk (SUVBI). These instruments aim to stabilise the rupiah and attract capital inflows into the economy.

In October 2024, BI launched new macroprudential incentives to further support these efforts (Bank Indonesia (2024a)). To stimulate private credit expansion, particularly in priority sectors that drive economic growth and job creation, BI has adopted a set of loose macroprudential policies. It aims to achieve private sector credit growth of 10-12 percent. Measures to support this target include extending the 100 percent loan-to-value ratio for mortgages and zero down payment for car loans until the end of 2025. Starting December 1, 2024, BI also waived fees for QR-based payments below IDR 500,000, benefiting micro enterprises and supporting the purchasing power of lower-income groups. Furthermore, BI has expanded the reduced reserve requirement ratio (RRR) to cover sectors such as agriculture, manufacturing, wholesale trade, and micro enterprises. This adjustment lowers the effective RRR for banks to five to six percent, compared to the official rate of nine percent.

In addition to these monetary policies, BI has implemented a payment system policy designed to foster growth, enhance payment infrastructure, and expand the adoption of digital payment systems. BI has also strengthened central-local coordination to sustain macroeconomic stability and momentum for economic growth. This includes collaboration with the Central Inflation Control Team (TPIP) and the Regional Inflation Control Team (TPID) to ensure effective implementation of its strategies.

1.2.2.2 Multiple Interventions for Poverty Eradication

Poverty eradication remains a central focus of the Indonesian government, aligning with the 2030 Agenda for Sustainable Development Goals (SDGs) established by the United Nations. To accelerate the elimination of extreme poverty, the Indonesian President issued Presidential Instruction No. 4 of 2022 on the Acceleration of the

Elimination of Extreme Poverty in June 2022, aiming to reduce extreme poverty to zero percent by 2024. To achieve this ambitious target, the government has outlined three key policy priorities for the extreme poverty group: 1) alleviating the financial burden through social assistance, 2) boosting income and productivity through community empowerment, and 3) addressing poverty pockets through basic infrastructure development (TNP2K (2022)). The collaboration among the central government, local governments, academics, non-governmental organisations, and mass media—or the so-called "Pentahelix approach"—was adopted to support these efforts (Coordinating Ministry for Human Development and Cultural Affairs (2024c)).

With 2024 marking the programme's deadline, the government has expedited its initiatives. Several measures have been implemented to realise the first key programme on easing the financial burden on those experiencing extreme poverty. First, the state budget (APBN) allocation for social assistance was increased from IDR 476 trillion in 2023 to IDR 496 trillion in 2024 (CNBC (2024)). Second, the government expanded the Family Hope Program (PKH), which provides conditional cash transfers to low-income households, targeting vulnerable groups such as pregnant women, children, people with disabilities, and the elderly, benefiting 10 million individuals (Kemensos (2019)). Third, the Food Assistance (Sembako) programme supports 18 million low-income households registered with the Ministry of Social Affairs, ensuring access to essential food supplies (Ministry of Finance (2024c)). Fourth, the implementation of Indonesia Health Card (KIS) initiative continues to offer free healthcare access to low-income groups, addressing critical health needs (Putri and Nugroho (2024)).

To implement the second key programme focused on increasing the income and productivity of extreme poverty groups, the government allocated IDR 76.3 trillion in the 2024 APBN for community empowerment programmes (CNBC (2024)). Among these initiatives is the Micro, Small, and Medium Enterprise Loans (KUR) programme, which received a budget of IDR 280 trillion in 2024. The KUR programme provides financing for working capital and investment to micro, small, and medium enterprises (MSMEs) as well as cooperatives. It targets productive and viable businesses that lack or have insufficient collateral (OJK (nd)). The programme offers affordable interest rates of three percent for microenterprises and six percent for small enterprises (Pratama (2024)). As of October 2024, 88 percent of the allocated budget had been disbursed, benefiting 4.27 million debtors (Coordinating Ministry of Economic Affairs (2024)).

Finally, to reduce poverty clusters, the Ministry of Public Works and Housing (PUPR) has implemented integrated housing and infrastructure initiatives under the Citra Karya and housing programme (Ministry of Public Works and Housing (2024)). The Citra Karya programme focuses on improving sanitation, access to drinking water, and road and drainage infrastructure in targeted areas. These efforts cover 13 provinces, 19 districts/cities, and 20 villages, each with more than 50 extreme poverty beneficiaries in 2024. Meanwhile, the housing programme provides stimulus grants for home improvements, offering IDR 20 million for extreme poverty beneficiaries and IDR 40 million for those in Papua. Alongside housing improvements, the government increased regional transfers to provinces with high extreme poverty rates. Accurate data utilisation remains critical to ensure precise targeting and effective implementation of these poverty reduction efforts.

1.2.2.3 Comprehensive Actions for Stunting Prevalence Reduction

Reducing stunting prevalence has been a key priority for the Indonesian government in recent years. Stunting refers to impaired growth and development in children, primarily caused by inadequate nutrition, recurrent infections, and insufficient psychosocial stimulation. Children are considered stunted if their height-for-age is more than two standard deviations below the WHO Child Growth Standards median (WHO (2015)). According to the Indonesian Nutrition Status Survey (SSGI), the stunting rate in Indonesia has shown a significant decline over the past five years, dropping from 30.8 percent in 2018 to 21.5 percent in 2023, representing a 9.3 percent decrease (Coordinating Ministry for Human Development and Cultural Affairs (2024b)). Despite this progress, the current rate remains above the World Health Organization's recommended threshold of less than 20 percent. To address this, the government has set a target to lower the stunting rate to 14 percent by 2024.

In 2021, the government launched the National Strategy for Accelerating Stunting Reduction, formalised through Presidential Regulation No. 72 of 2021 (Ministry of Communication and Information Technology (2021)). This strategy is built upon five core pillars: 1) Commitment and vision from the country's top leadership; 2) National campaigns emphasising behavioral change, political commitment, and accountability; 3) Convergence, coordination, and consolidation of programs across national, regional, and community levels; 4) Implementation of food security policies; and 5) Rigorous monitoring and evaluation processes (TP2AK (nd)).

To achieve the 2024 stunting reduction target, both central and regional governments have undertaken extensive initiatives. In 2024, the central government increased regional transfers by 5.3 percent compared to 2023, allocating a total of IDR 857.6 trillion specifically to combat extreme poverty and reduce stunting (Wijaya (2023)). Regional governments are expected to optimise their budgets (APBD), enhance inter-provincial coordination, and effectively utilise national transfers to support stunting reduction programmes. These efforts include expanding access to proper sanitation and safe drinking water, improving healthcare services for pregnant women and toddlers, promoting better parenting practices, and strengthening food and nutrition security.

To enhance monitoring and evaluation, the central government has expanded the number of prioritised provinces for stunting reduction from 12 in 2023 to 17 in 2024. Among these, four provinces—Papua, West Papua, East Kalimantan, and West Sumatra—are designated as top priorities due to their rising stunting prevalence in recent years (Dewi (2024)). The government also launched a Simultaneous Stunting Prevention Intervention initiative in June 2024, involving 300,188 integrated maternal and child healthcare centers (Posyandu) across Indonesia. Through simultaneous measurements and interventions, this initiative provides crucial data as a foundation for targeted nutritional interventions aimed at stunting prevention. Additionally, the initiative also underscores the need to improve the accuracy of weighing and measuring processes and to strengthen the capacity of Posyandu cadres and healthcare workers in delivering effective counselling services (Coordinating Ministry for Human Development and Cultural Affairs (2024a)).

1.2.2.4 Enhancing Investment through Special Economic Zones (SEZs)

Increasing investment has long been a key driver of Indonesia's long-term development. The government has implemented various strategies to attract investment, and these efforts have yielded notable results. According to the IMD World Competitiveness Index (IMD (2024)), Indonesia achieved its highest ranking in the past decade, placing 27$^{\text{th}}$. To further boost investment, the government has focused on enhancing the attractiveness of Indonesia as an investment destination, including optimising Special Economic Zones (SEZs).

The establishment of SEZs has been a key component of the government's investment strategy since the enactment of Law No. 39 of 2009 on Special Economic Zones. The cumulative investment realisation in SEZs has been substantial, reaching IDR 242.5 trillion as of the third quarter of 2024, and providing employment for 151,260 workers as of September 2024 (Yunianto (2024)). In 2024, the government continued to improve the ease of doing business in SEZs by fostering coordination and addressing bottlenecks with relevant stakeholders, particularly at the regular National Working Meeting on Special Economic Zones (Rakernas KEK). The monitoring and evaluation process focuses on investment growth, employment creation, and increases in gross value added (GRDP) (KEK (2024a)). Additionally, the government has partnered with academic institutions, such as LPEM UI, to develop assessment indicators for SEZs, covering three main pillars: service performance, achievement performance, and broader impacts (Yunianto (2024)).

In October 2024, the government inaugurated two new SEZs: the Banten SEZ for Education, Technology, and International Healthcare, established through Government Regulation Number 38 of 2024, and the Batam SEZ for International Health Tourism, established through Government Regulation Number 39 of 2024. The Banten SEZ focuses on international education, healthcare, and digital technology, with Monash University as a key partner. It also includes initiatives in research, the digital economy, creative industries, and healthcare integration. The SEZ aims to attract IDR 18.8 trillion in investment and create 13,446 jobs. Meanwhile, the Batam International Health Tourism SEZ will focus on international-standard healthcare and medical tourism, with Apollo Hospital (India) as the main investor. It targets operational readiness by 2026, aims to attract IDR 6.91 trillion in investment, create 105,406 jobs, and generate foreign exchange savings of up to IDR 500 billion annually (KEK (2024b)). These two new SEZs bring the total number of Special Economic Zones in Indonesia to 24.

1.2.2.5 Prioritising Downstream Sector for Investment and Economic Sustainability

The Indonesian government has prioritised the downstream sector to boost investment and promote sustainable economic growth. Downstreaming—a key component of President Prabowo Subianto's eight-point vision and mission, known as "*Asta Cita*",—focuses on continuing downstream processing and industrialisation to add more value within the country (Wisnubroto (2024)). This sector plays a crucial role in enhancing the country's value-added potential and creating job opportunities.

In 2024, the Ministry of Investment and Downstreaming (BKPM) updated the roadmap for downstreaming 28 strategic commodities across eight key sectors. This updated roadmap highlights an investment potential of USD 618.1 billion, which is expected to create over three million jobs and contribute an additional USD 235.9 billion to the nation's GDP (Indonesia Investment Coordinating Board (2024)). The roadmap covers industries including minerals, coal, oil and natural gas, plantations, forestry, fisheries, and maritime sectors. The government hopes this new guideline will contribute to the realisation of an Indonesia-centric vision, where local entrepreneurs become the hosts in their own country, MSMEs grow and evolve, and economic equality is achieved (Nurdifa (2024)).

To support the national downstream program and enhance the investment climate, facilitate industries, and increase the added value of natural resources, the Indonesian government issued Government Regulation No. 25 of 2024, an update to the earlier regulation PP No. 96 of 2021. This regulation emphasises strengthening governance and implementing sustainable development practices to ensure national energy and mineral resources benefit the broader society (Ministry of Energy and Mineral Resources (2024). In addition, the BKPM Ministry has introduced nine "quick-win" programmes in 2024 to encourage investment and support downstreaming. These initiatives include optimising fiscal incentives such as tax holidays, integrating digital systems across ministries, and developing strategic investment areas (Indonesia Investment Coordinating Board (2024)).

In addition to these broader initiatives, the government has been focusing on the downstream potentials of the palm oil sector, which in 2024 contributed USD 14.43 billion, or 10.18 percent, of Indonesia's total non-oil and gas exports. The government has also implemented several new policies to support the palm oil industry, including the establishment of the Ministry of Industry Regulation (PERMENPERIN) No. 32 of 2024, which classifies palm oil derivative commodities, and Ministry of Trade Regulation (PERMENDAG) No. 26 of 2024, which sets export regulations for palm oil derivative products. The Ministry of Finance also issued PMK Number 62 of 2024 to address service tariffs from the Palm Oil Plantation Fund Management Agency (BPDPKS). These measures aim to provide cost certainty for exporters and maintain the price stability and competitiveness of crude palm oil (CPO) and its derivatives in the global market (Ministry of Finance (2024b)).

1.2.2.6 National Nutrition Initiative: A Step Toward Golden Indonesia 2045

Investment in human capital is pivotal for achieving Indonesia's Golden Vision 2045. Alongside enhancing formal education quality through the State Budget, the government in 2024 placed a renewed focus on improving human capital by ensuring adequate nutrition for future generations. This stems from the persistent issues of poverty and malnutrition, which are critical factors impacting Indonesia's Human Development Index (HDI).

In August 2024, the government established the National Nutrition Agency through Presidential Regulation (Perpres) No. 83 of 2024. This initiative aligns with the newly elected President Prabowo Subianto's program prioritising free nutritious meals for the public. The Free Nutritious Meal Program targets four key groups: students from early childhood to high school, children under five years old, pregnant women, and breastfeeding mothers. Providing adequate nutrition during these crucial stages supports optimal growth, maternal health, and the production of high-quality breast milk for infants.

To realise these goals, the government has allocated IDR 71 trillion for the Free Nutritious Meal Program in 2025, aiming to serve 19.4 million beneficiaries (Hidranto (2024); Ministry of State Secretariat of the Republic of Indonesia (2024)). Over the next five years, the program will expand to reach 82.9 million beneficiaries. The phased rollout begins with 40 percent coverage in 2025, increases to 80 percent in 2026, and achieves full implementation by 2029. The programme will initially focus on schoolchildren and vulnerable groups, providing meals twice daily. A pilot initiative launched in August 2024, with the official programme starting on January 2, 2025.

This programme not only addresses immediate nutritional needs but also boosts economic growth by supporting local food production. By sourcing ingredients from local farmers, MSMEs, and cooperatives, the initiative stimulates local economies and creates jobs (Coordinating Ministry for Human Development and Cultural Affairs (2024d)). A pilot project in Sukabumi revealed that one kitchen serving 3,000 students requires 55 workers. Nationwide implementation, with each kitchen serving 2,000 students, would necessitate approximately 48,000 kitchens, thereby creating substantial employment opportunities (Siswanto (2024)). Thus, the Free Nutritious Meal Program is expected to contribute to healthier future generations while simultaneously driving economic development and fostering social equity.

1.2.2.7 Accelerating Infrastructure for Equitable Growth

The acceleration of physical capital development is a key focus of the Indonesian government in 2024 to support economic transformation, promote equitable development, and improve the quality of life across the nation. According to the 2024 State Budget Draft (RAPBN), the government has allocated IDR 422.7 trillion for infrastructure development. The priorities include accelerating the development of economic-driving infrastructure, providing basic service infrastructure and strategic projects that align with national development priorities, as well as encouraging enterprise participation through Public-Private Partnership (PPP) schemes to enhance infrastructure development (CNN Indonesia (2023)).

The National Strategic Projects (PSN) program remains a cornerstone of Indonesia's infrastructure development policy, prioritising strategic projects that incorporate domestic components. This initiative, executed by central and local governments alongside state-owned enterprises, aims to drive economic growth while ensuring equitable development. Governed by Presidential Regulation No. 3 of 2016 and updated periodically to reflect shifting priorities, the PSN list for 2020–2024 initially included 208 projects and 10 programmes, as outlined in Ministerial Regulation No. 7 of 2021. In 2024, President Joko Widodo amended the list through Ministerial Regulation No. 6, adding 14 new projects and two programmes, bringing the totals to 218 projects and 15 programmes (Ministry of Transportation (2024a)). Notably, between January and March 2024, the government inaugurated 16 transportation infrastructure projects, including eight Type A terminals, three ports, and five airports. Additionally, 21 more projects—comprising ferry ports, vessels, ports, airports, and double-track railways—are slated for completion within the year (Ministry of Transportation (2024b)).

A key focus of this effort is ensuring equitable development across all regions, particularly in Eastern Indonesia. The Makassar New Port (MNP) in South Sulawesi, the Gumbasa Irrigation System in Central Sulawesi, and the Tiu Suntuk Dam in West Nusa Tenggara are prominent examples of PSN projects aimed at enhancing connectivity and food security in the Eastern region. The government inaugurated the Makassar New Port (MNP) in South Sulawesi in February 2024. As the largest port in Eastern Indonesia, MNP stands as a critical initiative aimed at enhancing national logistics efficiency and global competitiveness. With an investment of IDR 5.4 trillion, the port boasts a 16-meter depth and a capacity of 2.5 million TEUs, enabling it to accommodate large container ships and compete with international ports (The Cabinet Secretariat of the Republic of Indonesia (2024a)). Over the past decade, logistics costs in Indonesia have fallen from 24 percent to 14 percent of GDP, with MNP expected to contribute further reductions. This landmark project exemplifies the government's dedication to advancing infrastructure as a means to bolster economic efficiency and strengthen Indonesia's global standing.

Similarly, the Gumbasa Irrigation System in Central Sulawesi was rehabilitated and reconstructed at a cost of IDR 1.25 trillion. This extensive project comprises one dam, 35 kilometers of primary channels, 52 kilometers of secondary channels, 119 kilometers of tertiary channels, and 82 disposal channels. Despite setbacks from a 2018 disaster, the project was completed in 2024, optimising irrigation for 8,180 hectares of farmland and doubling the agricultural index from 149 percent to 300 percent (The Cabinet Secretariat of the Republic of Indonesia (2024b)). Meanwhile, the Tiu Suntuk Dam in West Sumbawa, West Nusa Tenggara, also constructed with an investment of IDR 1.4 trillion, enhances irrigation for 1,900 hectares, provides raw water supply, and mitigates flooding risks. These projects are expected to significantly boost agricultural yields, strengthen food security, and improve the welfare of farmers while supporting sustainable agricultural development.

To foster private sector involvement in infrastructure projects and alleviate the burden on the state budget, the Indonesian government has introduced the Land Value Capture (LVC) mechanism through Presidential Regulation No. 79 of 2024. This innovative financing strategy capitalises on the increase in land value driven by infrastructure development and urban growth. The LVC operates on two application bases: tax-based, which involves levies on increased land value, and development-based, which includes contributions from developers benefiting from improved infrastructure. By tapping into the land value appreciation generated by public investments and urban expansion, LVC offers a sustainable funding model for infrastructure projects while ensuring the equitable distribution of urban growth benefits among stakeholders (Coordinating Ministry for Economic Affairs (2024)).

Lastly, to improve coordination on infrastructure policies and regional development initiatives among various government entities, the Ministry of Coordinating Infrastructure and Regional Development was established through Presidential Regulation No. 145 of 2024. Its core functions encompass policy formulation and coordination, monitoring and evaluation, administrative support, and addressing inter-ministerial challenges. It is hoped that this institutional enhancement may improve governance, accelerate project implementation, and ensure that infrastructure development aligns with the nation's broader goals of sustainable growth and equitable regional development.

1.2.2.8 Sustaining Bureaucracy Reform Through Comprehensive Monitoring and Evaluation

The inadequacy of capable and accountable governance has significantly hindered the effectiveness of development policies, leading to challenges in achieving predetermined targets. Currently, Indonesia's government bureaucracy faces three primary gaps: first, the lack of comprehensive and integrated planning across ministries, agencies, and between central and regional governments; second, the ineffective implementation of programmes, often constrained by limited institutional capacity and poor coordination; and third, the absence of robust mechanisms for monitoring and evaluation (ISEI (2024)). Findings from the 2023 Bureaucratic Reform (RB) evaluation highlighted these challenges. Of 194 ministries, agencies, and regional governments (K/L/D), less than 50 percent achieved their General RB action plan targets, with 94 entities reporting no implementation at all. Additionally, 180 K/L/D recorded thematic RB action plan and output achievements below 50 percent, with 109 entities registering zero progress (Ministry of Administrative and Bureaucratic Reform (2024a)).

To address these governance deficiencies, the Ministry of Administrative and Bureaucratic Reform (Menpan) has implemented the Monitoring and Evaluation of Public Service Performance (PEKPPP). This initiative systematically measures the performance of specific work units over a defined period, producing a public service index that serves as a critical metric for assessing bureaucratic reform. The 2024 Bureaucratic Reform Evaluation employs instruments outlined in Ministerial Decree (Kepmen) PANRB No. 182/2024, which provides technical guidelines for evaluating bureaucratic reform.

The 2024 evaluation focuses on nine priority services integrated within the architecture of the Electronic-Based Government System (SPBE). SPBE is a digital governance framework that integrates information and communication technology into government administration. Its objectives include achieving clean, effective, transparent, and accountable governance while providing reliable public services to citizens, businesses, and government entities (Ministry of Administrative and Bureaucratic Reform (2020)). The prioritised services include education, healthcare, social assistance, law enforcement, civil administration, national financial transactions, government administration, data exchange, and public service portals.

The PEKPPP for 2024 is organised into three distinct schemes:

1. **National PEKPPP**: Conducted by ministries, agencies, and regional governments, this scheme evaluates units designated nationally by Menpan
2. **Independent PEKPPP**: Government institutions evaluate units outside the national framework and report results to Menpan.
3. **Specialised PEKPPP**: Focuses on specific sectors or projects requiring tailored evaluations

To ensure objectivity and independence, the government engaged higher education institutions in the process of consolidating, analysing, and finalising assessments. These institutions also contribute tailored recommendations or suggestions to the Ministry of Administrative and Bureaucratic Reform (Menpan), leveraging the monitoring and evaluation results of SPBE to enhance public service performance and governance (Ministry of Administrative and Bureaucratic Reform (2024b)).

1.2.3 Prospects and Challenges of Indonesia's Economy in 2025

1.2.3.1 Outlook and Challenges

Indonesia's economic growth is anticipated to remain resilient in 2025, with an average rate of 5.1 percent projected over the 2024–2027 period. The OECD anticipates a slightly higher growth of 5.2 percent in 2025, exceeding the global economic growth forecast of 3.3 percent for 2025 and 2026 (The World Bank (2024); OECD (2024); IMF (2025)). Similarly, the Indonesian government, in its 2025 State Budget Plan, forecasts 2025 economic growth at 5.2 percent, with a targeted inflation rate of 2.5 percent ± 1 (Table 1.2). Notably, this projected inflation rate is lower than that of several key trade partners, including Japan, the United States, and India (Ministry of Finance (2024a)). This optimistic outlook extends to key development indicators (Table 1.3) as the country strives to achieve its 2045 Golden Indonesia Vision. The unemployment rate is expected to decline to 4.5–5 percent, alongside an improvement in the Human Capital Index (HCI) to 0.56. Furthermore, in alignment with the government's overarching goals to eradicate poverty and promote inclusive economic growth, the poverty rate is projected to decrease to seven to eight percent, with the elimination of extreme poverty. The Gini Ratio, indicative of income inequality, is also expected to improve, narrowing to a range of 0.379–0.382.

In 2025, Indonesia will continue advancing its economic transformation through industrial revitalisation, including the promotion of downstream activities,

Table 1.2: Macroeconomic Indicators Forecast in 2025

Macroeconomic Indicators	
Indicator	**2025 Forecast**
Economic Growth (%)	5.2
Inflation (%)	2.5
10-Year Bond Yield (SBN) (%)	7.1
Exchange Rate (IDR/USD)	16,100
Crude Oil Price (USD/barrel)	82
Oil Lifting (rpbh)	600
Gas Lifting (rbsmph)	1,005

Source: 2025 State Budget (APBN), Ministry of Finance

Table 1.3: Development Indicators Target in 2025

Development Indicators	
Indicator	**2025 Target**
Unemployment Rate (%)	4.5 - 5.0
Human Capital Index (HCI)	0.56
Poverty Rate (%)	7.0 - 8.0
Gini Ratio	0.379 - 0.382
Extreme Poverty (%)	0
Farmer's Exchange Rate	115 - 120
Fisherman's Exchange Rate	105 - 108

Source: 2025 State Budget (APBN), Ministry of Finance

strengthening the service sector—particularly in the creative economy and digitalisation—and reinforcing structural reforms (Ministry of Finance (2024a)). The nation's economic growth is expected to be driven by increased public consumption, investments in housing, food sectors, and the new capital, alongside private sector expansion supported by credit growth and relaxed global monetary policies. Key sectors such as transport, trade, hospitality, and manufacturing—especially in mining and downstreaming—are anticipated to further bolster growth. Inflation is projected to remain within Bank Indonesia's target range of 2.5$\pm$1 percent, managed through subsidies, price controls, and monetary measures, despite pressures from robust domestic demand, a VAT hike, and narrowing output gaps (The World Bank (2024)).

However, the global economic landscape in 2025 is expected to pose considerable challenges. Geopolitical tensions, including the Russia-Ukraine conflict, unrest in the Middle East, and escalating rivalry between the United States and China, along with rising fragmentation and protectionist policies, are likely to weigh heavily on Indonesia's economic performance (Ministry of Finance (2024a)). These dynamics are expected to widen the current account deficit, reflecting global uncertainties. While exports may struggle due to global trade fragmentation, China's economic slowdown, and high base effects, steady private consumption and strong domestic demand are expected to mitigate these impacts by supporting imports (The World Bank (2024)).

1.2.3.2 2025 State Budget Priorities

The 2025 State Budget Plan (RAPBN) adopts the theme "Healthy, Accelerative, and Supportive Budget" to achieve inclusive and sustainable economic growth acceleration. As a transitional budget, it considers global economic conditions alongside short, medium, and long-term policy updates. The budget is designed to support Indonesia's Vision 2045 and ensure continuity for the next administration's programmes.

In the short term, fiscal strategies emphasise high-quality education and healthcare, poverty reduction, equitable welfare distribution, and robust economic growth. Medium- and long-term fiscal policies focus on downstream industrialisation, green transformation, creative economy and entrepreneurship, enhanced human resource quality, and equitable welfare (inclusivity). To underpin inclusive development and economic acceleration, fiscal reinforcement is envisioned to be holistic. This involves realising a healthy and sustainable budget through effective revenue collection (collecting more), efficient allocation (spending better), and prudent implementation of innovative financing strategies (Ministry of Finance (2024a)).

According to the 2025 State Budget, total state expenditure is projected to reach IDR 3,613.1 trillion, consisting of IDR 2,693.2 trillion for central government spending and IDR 919.9 trillion allocated for transfers to regional governments. The central government expenditure is further divided into institutional spending of IDR 976.8 trillion and non-institutional spending of IDR 1,716.4 trillion. The institutional budget will focus on four main priorities: accelerating inclusive and sustainable economic growth, optimising non-priority expenditures, particularly operational spending, emphasising economic transformation through capital expenditures, and reforming subsidies and social protection to ensure they are targeted and equitable.

As outlined in Table 1.4, the 2025 state expenditure will prioritise seven sectors, with the largest allocations directed towards education (IDR 722.6 billion), social protection (IDR 504.7 billion), and infrastructure (IDR 400.3 billion). These allocations align with the overarching objectives of the 2024 State Budget, which emphasise prudent fiscal management to drive the acceleration of inclusive and sustainable economic growth (Ministry of Finance (2024a)). The government is also adopting budget financing strategies to address deficits and fund long-term development projects that drive economic transformation, particularly in the areas of IT infrastructure, energy systems, connectivity, and industrial and economic zones. The government has set a budget deficit of IDR 616.2 trillion, equivalent to 2.53 percent of GDP. To cover this deficit, budget financing is planned at IDR 775.9 trillion through debt financing and IDR 159.7 trillion

Table 1.4: 2025 State Budget Expenditure by Sector and Main Priorities

Sector	Main Priorities
Education (IDR 722.6 trillion)	1. Expanding access to education across all levels through the extension of compulsory education and educational assistance. 2. Strengthening the quality and availability of Early Childhood Education (PAUD) services through the optimization of regional budgets (APBD). 3. Enhancing the competence of teachers and educational staff. 4. Strengthening vocational education to align with labor market needs (link and match). 5. Increasing investment in the education sector. 6. Improving the quality of learning by providing nutritious meals.
Social Protection (IDR 504.7 trillion)	1. Continuing various social protection programs such as PKH, Kartu Sembako, and subsidy distribution. 2. Encouraging the convergence and complementarity of social protection programs. 3. Promoting the acceleration of graduation from poverty. 4. Improving the effectiveness of the design and implementation of social protection programs. 5. Strengthening lifelong social protection to anticipate an aging population, including people with disabilities. 6. Encouraging adaptive social protection schemes to anticipate crisis risks.
Infrastructure (IDR 400.3 trillion)	1. Development of irrigation networks and dams. 2. Construction of integrated flagship schools and renovation of existing schools. 3. Development of quality hospitals. 4. Construction of road networks, port and airport facilities, as well as railway connectivity to support downstream industries. 5. Development of regional roads to stimulate growth centers. 6. Equal distribution of digital and technological infrastructure. 7. Provision/renovation of houses with proper sanitation.
Security, Law and Defence (IDR 372.3 trillion)	1. Modernization of the Indonesian National Armed Forces (TNI) weaponry systems and the Indonesian National Police (Polri) equipment. 2. Transformation of police services. 3. Prevention and control of drug abuse. 4. Strengthening ICT security against cyber threats. 5. Enhancement of national strategic industry capabilities. 6. Prevention and countermeasures against terrorism.
Subsidy (IDR 309.1 trillion)	1. Fixed subsidies for diesel fuel and price difference subsidies for kerosene and 3 kg LPG cylinders. 2. Electricity subsidies for households targeted at poor and vulnerable families. 3. Subsidies for Urea, NPK, and Organic fertilizers for priority commodities, along with phased implementation of direct fertilizer assistance for farmers. 4. Support for enhancing public services in public transportation and the provision of public information. 5. Interest subsidies for People's Business Loans (KUR) aimed at MSMEs, farmers, and fishers to boost business competitiveness. 6. Tax incentives through government-covered tax subsidies, serving as a stimulus for businesses.
Health (IDR 197.8 trillion)	1. Accelerating the reduction of stunting (e.g., by providing nutritious food for pregnant/nursing mothers and toddlers). 2. Promotive-preventive efforts (e.g., through free health check-ups). 3. Enhancing the effectiveness of the National Health Insurance (JKN) program. 4. Improving access, quality, and availability of primary and referral healthcare facilities (e.g., through the construction of quality hospitals in regional areas). 5. Increasing synergy between institutions in providing healthcare infrastructure and facilities. 6. Enhancing the quantity, quality, and distribution of healthcare human resources. 7. Strengthening the self-reliance of the pharmaceutical industry gradually.
Food Security (IDR 124.4 trillion)	1. Intensification and expansion of agricultural land. 2. Provision of agricultural facilities and infrastructure (fertilizers, seeds, equipment, and pesticides). 3. Strengthening aquaculture programs. 4. Improving the distribution chain of agricultural products.

Source: 2025 State Budget (APBN), Ministry of Finance

through investment financing.

The projected state revenue for 2025 is IDR 2,996.9 trillion, representing 12.32 percent of GDP, primarily driven by efforts to optimise national income while fostering a favourable investment climate and ensuring the continuity of tax reforms. This total comprises tax revenue (IDR 2,189.3 trillion), customs and excise (IDR 301.6 trillion), non-tax revenue (IDR 505.4 trillion), and grants (IDR 0.6 trillion). The government anticipates that 55.2 percent of tax revenue will come from income tax (PPh), followed by value-added tax at 43.2 percent, with land and building tax (PBB) and other taxes contributing 1.6 percent.

1.3 Overview of Indonesia's Recent Economic Developments

This section examines Indonesia's growth trends and prospects, fiscal and monetary trends, trade performance, and developments in the labour market and social sectors. The analysis also evaluates Indonesia's socioeconomic performance amidst ongoing global economic uncertainties.

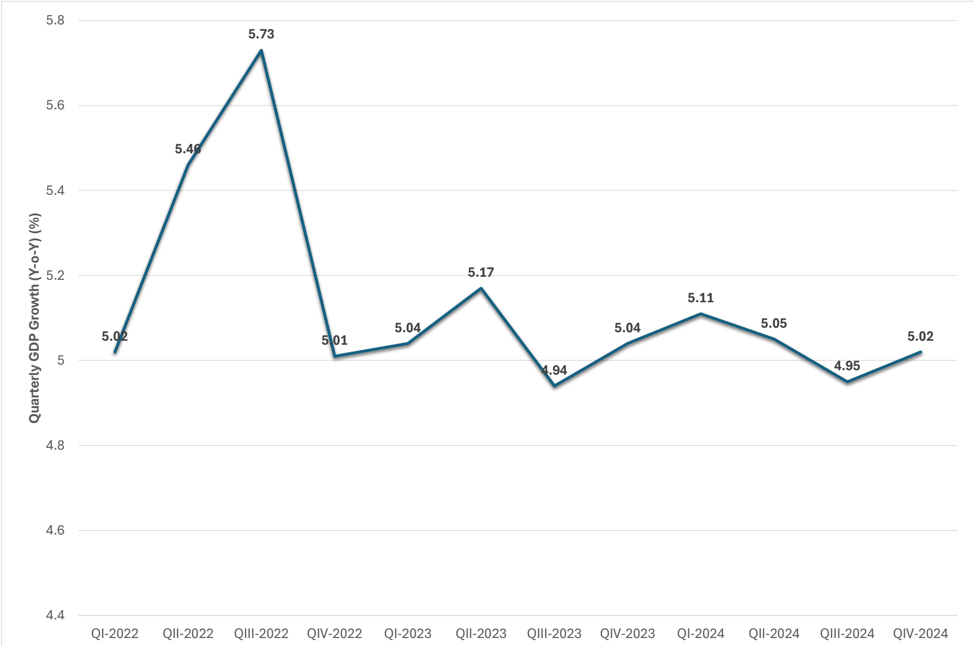
1.3.1 Growth Trends and Prospects

Since 2022, Indonesia's quarterly GDP growth has rebounded to its pre-pandemic level of five percent (Figure 1.1). The highest quarterly growth during this period was recorded in Q3 of 2022, reaching 5.73 percent year-on-year, primarily driven by robust export performance supported by elevated commodity prices (Ministry of Finance (2024a)). Despite global economic challenges, Indonesia's economy demonstrated resilience, maintaining annual growth rates of 5.05 percent in 2023 and 5.03 percent in 2024. Despite a slight growth reduction, the economic stability in 2024 can be largely attributed to a rapid deceleration in inflation (Figure 1.6), which bolstered consumer confidence and private consumption (The World Bank (2024)). Government consumption also played a significant role in sustaining growth, with increased public spending on social assistance programs and election-related expenditures in 2024. Notably, quarterly GDP growth peaked at 5.11 percent in the first quarter of 2024, coinciding with the presidential election held in February 2024.

Figure 1.2 presents a breakdown of Indonesia's economic growth by expenditure. Unlike the previous year, the figure shows that GDP growth by expenditure grew positively across all quarters in 2024. Government consumption exhibited the highest growth in the first quarter, surging by 19.91 percent. Apart from the increase in public spending on social assistance programs and election-related expenditures mentioned earlier, this was also driven by the distribution of civil servants' salaries, holiday allowances (THR), and a 100 percent increase in civil servants' performance allowances (Tunkin) (LPEM FEB UI (2024)).

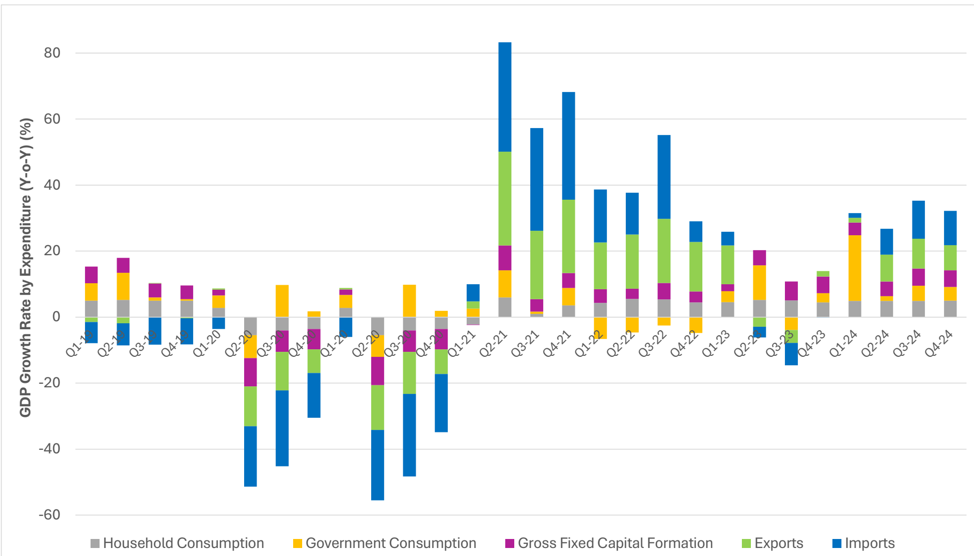
Household consumption remained stable throughout the year at 4.9 percent. This stability can be attributed to controlled inflation, increased job opportunities, and seasonal factors such as the presidential election, Eid Al-Fitr, and Eid Al-Adha, which collectively sustained consumers' purchasing power. Exports were more pronounced in the second and third quarters of 2024. In Q2, services export growth was particularly notable, with international tourist arrivals increasing by 17.32 percent (Ministry of Finance (2024a)). In Q3, export growth was driven by a rise in the value and volume of non-oil and gas exports. Meanwhile, imports grew significantly in Q3 and Q4 by 11.47

Figure 1.1: Quarterly GDP Growth (Y-o-Y), 2022–2024



Source: Central Bureau of Statistics (BPS)

Figure 1.2: GDP Growth Rate by Expenditure (Year on Year Percentage), Q1 of 2019–Q4 of 2024



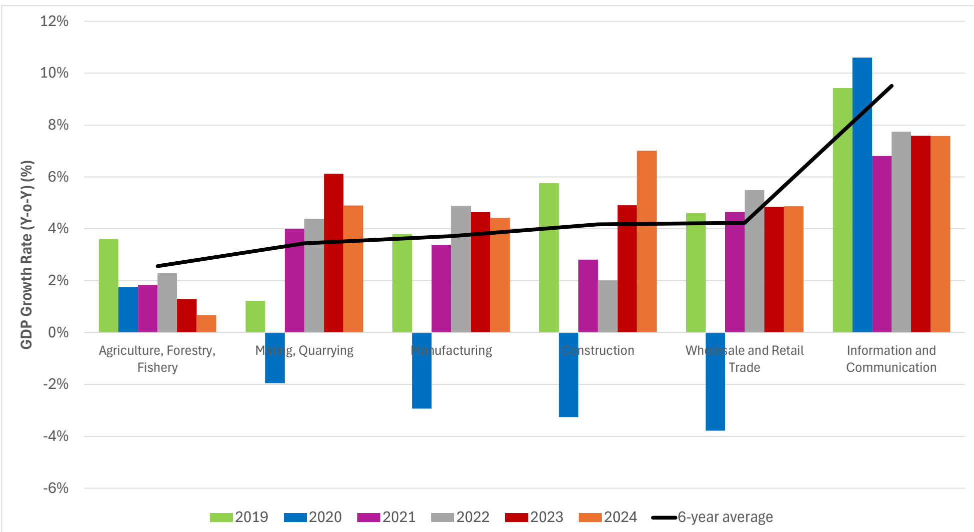
Source: Central Bureau of Statistics (BPS)

percent and 10.36 percent, respectively, driven by strong non-oil and gas imports.

Based on sectoral growth, nearly all of the six largest industries recorded positive performance throughout 2024 (Figure 1.3). The information and communication industry experienced the highest growth at 7.6 percent, driven by rising internet penetration in both urban and rural areas. Additionally, the extensive deployment of Base Transceiver Stations (BTS) by the government and telecommunications operators played a crucial role in supporting the sector's expansion (Ministry of Finance (2024a)). Over the past six years, this sector achieved an average growth rate of 9.5 percent, significantly outpacing other largest industries, which recorded average growth rates between 2.6 percent and 4.2 percent.

The construction sector ranked second with an annual growth rate of seven percent in 2024, fuelled by increased capital expenditure on National Strategic Projects (PSN), including efforts to advance the development of the Nusantara Capital City (IKN). This was followed by the mining and quarrying sector, as well as wholesale and retail trade, both of which grew by 4.9 percent. Additionally, despite stagnating at an average growth rate of 4.7 percent over the past three years, the manufacturing sector demonstrated solid performance in 2024, growing by 4.4 percent. This growth was driven by strong domestic demand and the continued implementation of the downstreaming policy. The positive impact of domestic demand was particularly evident in the food and beverage industry, which expanded by 5.53 percent. Meanwhile, the downstreaming policy contributed to significant growth in the basic metal industry sub-sector, which surged by 18.07 percent in Q2 2024.

Figure 1.3: GDP Growth Rate for Top-6 Largest Industries (Year on Year Percentage), 2019–2024



Source: Central Bureau of Statistics (BPS)

1.3.2 Fiscal and Monetary Trends

The previous sub-chapter examined the growth trends and future prospects of key macroeconomic indicators in Indonesia over recent years. This sub-chapter provides a deeper analysis of fiscal and monetary trends, highlighting the challenges posed by global economic uncertainties.

As depicted in Figure 1.4, most components of government expenditure in 2024 saw significant increases compared to the previous year, except for social assistance, grants, and other expenditure categories. The notable rise in government expenditure this year is primarily attributed to the acceleration of spending associated with the general elections (Pemilu). The largest expenditure categories in 2024 were interest payments (IDR 499 trillion) and personnel costs (IDR 460.9 trillion). The financial market in 2024 was marked by heightened volatility, as evidenced by fluctuating exchange and interest rates. Consequently, this volatility exacerbated the cost of funding, resulting in sustained high interest payments (Ministry of Finance (2024a)).

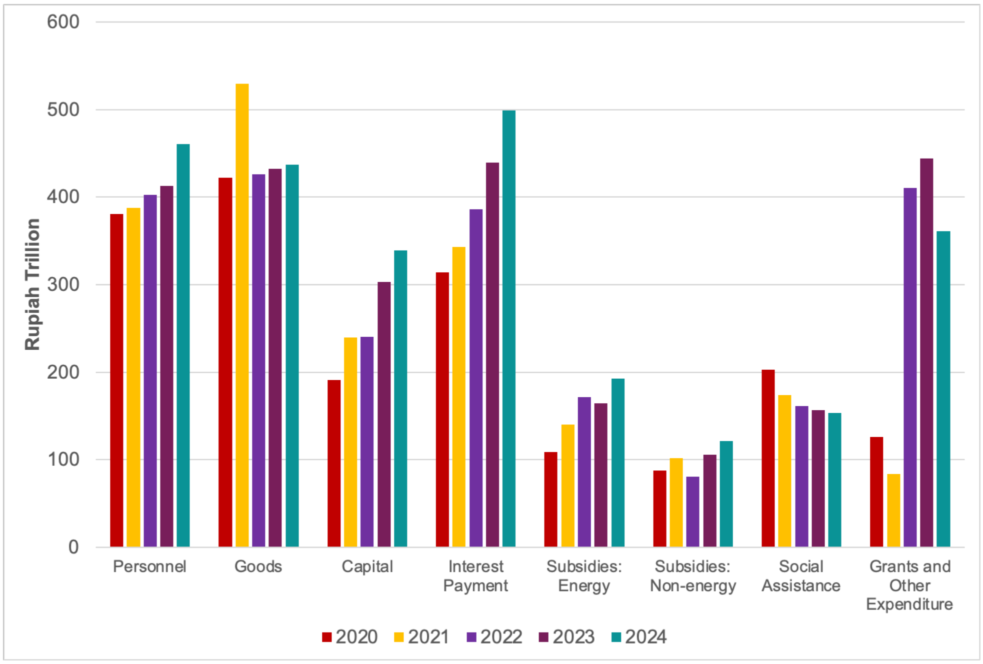
The significant increase in personnel expenditures in 2024 can be attributed to various policy measures designed to enhance the welfare of State Civil Apparatus (ASN). These measures include salary and pension adjustments, the provision of 13th-month salaries and holiday allowances (THR) for civil servants and retirees, as well as improved performance allowances for government institutions and agencies, in alignment with ongoing bureaucratic reform initiatives (CNBC Indonesia (2024)). Personnel expenditures for civil servants, encompassing regular payments such as salaries and performance allowances (Tunkin), reached IDR 210.8 trillion as of October 2024, reflecting a year-on-year (yoy) growth of 10.9 percent. Furthermore, the realisation of THR and 13th-month salary payments amounted to IDR 31.4 trillion, representing a substantial year-on-year increase of 33.6 percent (Laoli (2024)).

In 2024, both energy and non-energy subsidies experienced significant year-on-year growth. Energy subsidies amounted to IDR 192.8 trillion, reflecting a 20 percent increase, while non-energy subsidies totalled IDR 121.1 trillion, marking a 17 percent rise. According to the Ministry of Finance (2024d), subsidies for fuel oil (BBM) reached 10.28 million kiloliters (KL), a 0.6 percent yoy increase. Similarly, subsidies for 3-kilogram LPG rose by 1.6 percent yoy to 4.74 million metric tons, while subsidised electricity grew by 3.9 percent yoy, benefiting 40.9 million customers. The increase in energy subsidies can be attributed to factors such as fluctuations in oil prices, production levels, and exchange rates. Additionally, the depreciation of the rupiah significantly contributed to higher energy subsidy expenditures, further escalating state expenditure.

Meanwhile, disbursements of non-energy subsidies saw more pronounced growth. The distribution of People's Business Credit (KUR) reached IDR 195.4 trillion, a 29.5 percent yoy increase from IDR 150.9 trillion.Subsidies provided to KUR debtors totalled IDR 20.9 trillion, benefiting 3.3 million debtors—a 21.2 percent rise from 2.7 million in August 2023. Additionally, fertilizer subsidy disbursements totaled IDR 12 trillion for 4.4 million tons, marking a 3.5 percent increase compared to August 2023, when 4.3 million tons were distributed (Ministry of Finance (2024d)).

As illustrated in Figure 1.5, nearly all sources of government revenue in 2024 experienced an increase compared to 2023, except for taxes on international trade. Tax revenues in 2024 continued to grow positively, supported by projected economic growth, robust domestic consumption, and the government's ongoing efforts to advance tax reforms, such as the enactment of Law No. 7 of 2021 on Tax Regulation Harmonisation.

Figure 1.4: Components of Actual Government Expenditure by Type (Rupiah Trillion), 2020–2024



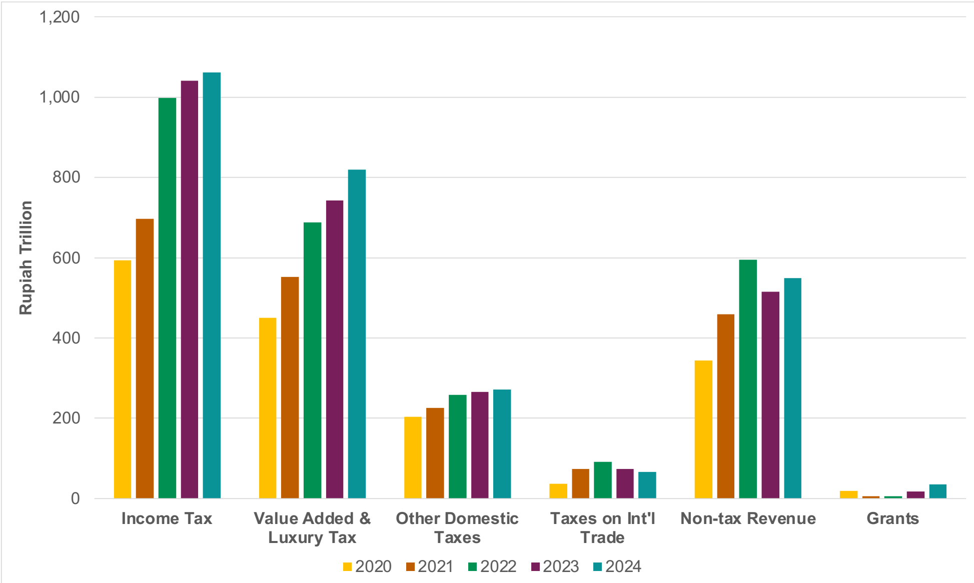
Source: Ministry of Finance

Income tax (IDR 1,040.8 trillion) and Value-Added and Luxury Tax (IDR 819.2 trillion) remained the largest contributors to government revenue. Income tax sustained positive growth despite a decline in corporate income tax revenues, which was attributed to reduced corporate profitability in the preceding year. This decline in profitability resulted from the moderation of commodity prices in 2023, alongside an increase in tax restitution claims (Ministry of Finance (2024a)). Conversely, Value-Added Tax (VAT) demonstrated robust performance, underpinned by enhancements in domestic economic activities and rising imports, particularly within the trade and palm oil sectors (DJP (2024)).

Although grants represented the smallest component of government revenue, they experienced the most significant growth, surging by 103 percent from IDR 17.2 trillion in 2023 to IDR 34.9 trillion in 2024. This substantial increase was primarily due to a rise in direct domestic grants allocated to support regional head elections (Pilkada) held in November 2024 (Ministry of Finance (2024a)). In contrast, taxes on international trade were the only revenue component that contracted, declining by nine percent from IDR 72.9 trillion in 2023 to IDR 66 trillion in 2024. The decrease in international trade tax revenues, particularly up to November 2024, was influenced by several factors, including the rise in electric vehicle imports benefitting from duty exemption facilities, increased utilisation of Import Declaration Forms (PIBs) and Free Trade Agreements, as well as a decline in import values and effective tariffs (DJP (2024)).

Moreover, the country's monetary indicators, including inflation and the central bank policy rate (BI7DDR), have been significantly influenced by global economic conditions.

Figure 1.5: Sources of Actual Government Revenue (Rupiah Trillion), 2020–2024



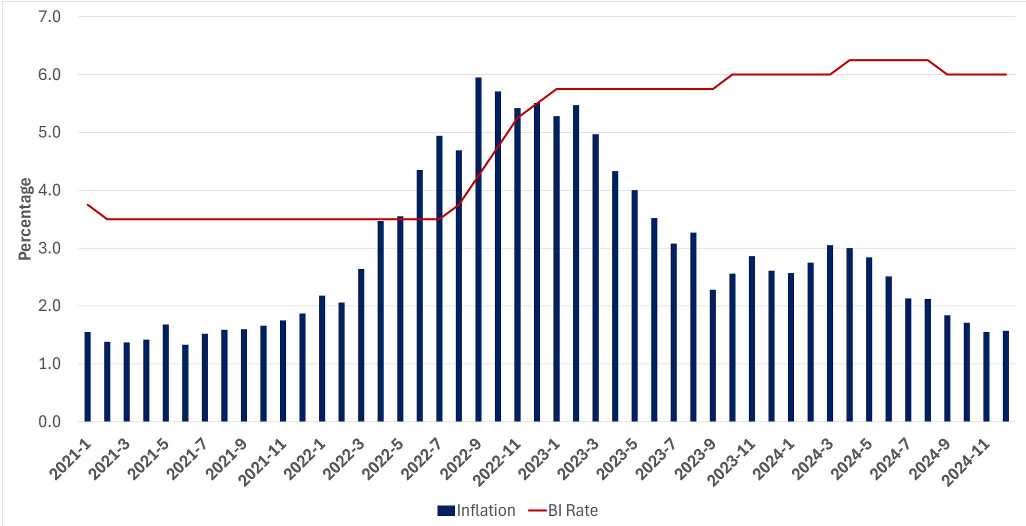
Source: Ministry of Finance

As depicted in Figure 1.6, inflation remained controlled, and the BI rate was stable at 3.50 percent in 2021. However, due to escalating geopolitical tensions and surging global commodity prices, the inflation rate climbed to a record high of 5.95 percent in September 2022. In response, Bank Indonesia raised the BI rate to 5.5 percent in December 2022. Challenges persisted in 2023, with the El Niño phenomenon reducing production and driving global food prices higher. Consequently, Bank Indonesia tightened monetary policies further, raising the BI rate to 6 percent, which successfully brought inflation down to 2.61 percent by December 2023.

In 2024, global economic challenges continued to exert pressure on the country's monetary stability. Uncertainty in the global economy posed risks to exchange rates and imported inflation, while fluctuations in global oil prices and climate-related factors, including the El Niño phenomenon, threatened domestic energy and food price stability. In response, the government intensified efforts to stabilise supply and curb price increases through measures such as accelerating rice imports, enhancing low-cost market operations, implementing the Food Supply and Price Stabilisation Program, and strengthening market monitoring. Additionally, Bank Indonesia also raised the BI rate to 6.25 percent in April 2024 before reducing it to 6 percent by the end of the year. These measures effectively controlled inflation, which declined from 2.57 percent in January 2024 to 1.57 percent in December 2024.

Apart from inflation and the policy rate, global economic uncertainty has notably influenced exchange rate volatility, with the rupiah gradually depreciating from IDR 15,572/USD in January 2023 to a low of IDR 16,458/USD in June 2024 (Figure 1.7). This depreciation was primarily attributed to the heightened global uncertainty arising from

Figure 1.6: Inflation and Central Bank Policy Rate (percent), 2021–2024



Source: Central Bank of Indonesia

Figure 1.7: Indonesia's Exchange Rate against USD (IDR/USD), 2023–2024

Source: Central Bank of Indonesia

escalating geopolitical tensions in the Middle East. Despite this downward trend, the rupiah briefly appreciated to a record high of IDR 15,100/USD in September 2024, driven by concerns over a potential recession in the United States, which led to a decline in the U.S. Dollar Index (DXY), thereby creating a favourable environment for the rupiah's appreciation (Kamalina (2024)). However, toward the end of the year, the rupiah experienced renewed depreciation, primarily due to the U.S. Federal Reserve's decision to reduce the Federal Funds Rate (FFR) by 25 basis points to a range of 4.25–4.50 percent, which contributed to further weakening of the rupiah, bringing it to IDR 16,157/USD in December 2024 (Jelita (2024)).

Notwithstanding these fluctuations, the stability of the rupiah exchange rate was largely maintained, in line with the policy measures implemented by Bank Indonesia. As of October 15, 2024, the rupiah had depreciated by 2.82 percent, which represented a relatively stronger performance compared to other regional currencies, including the Philippine Peso (4.25 percent), the Taiwanese Dollar (4.58 percent), and the Korean Won (5.62 percent) (Kamalina (2024)). This stability can be attributed to Bank Indonesia's strategic use of various monetary tools, including the optimisation of its pro-market monetary operations through the implementation of instruments such as SRBI, SVBI, and SUVBI (Bank Indonesia (2024a)).

1.3.3 Trade Performance Outlook

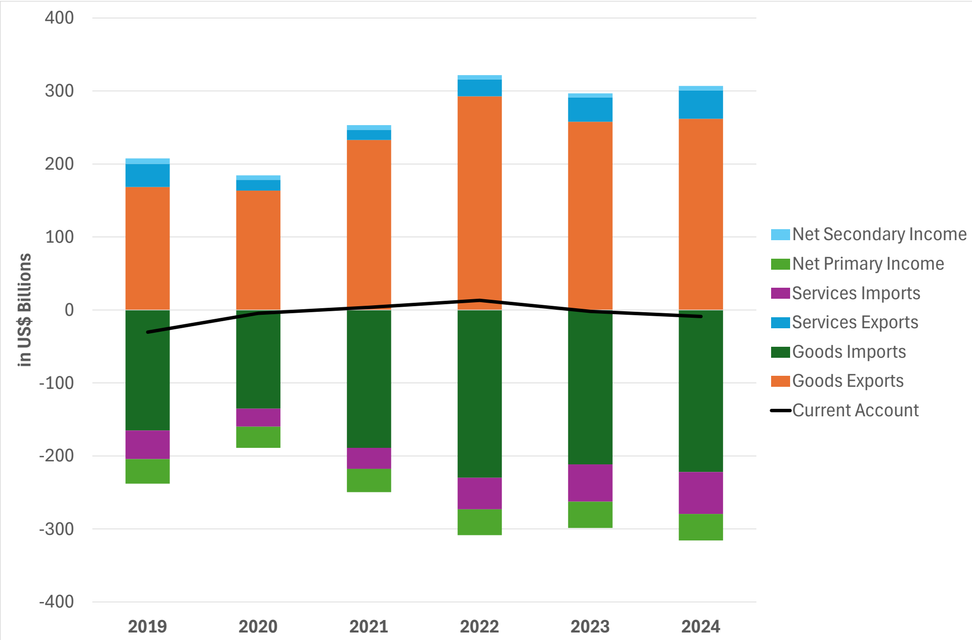
Global economic uncertainties have negatively impacted trade performance by reducing consumer and business confidence, causing currency fluctuations, disrupting supply chains, increasing protectionism, and creating financing challenges, all of which have contributed to lower trade volumes (IMF (2024)). As a result, Indonesia's current account deficit has widened significantly, rising from USD -2.04 billion in 2023 (0.1 percent of GDP) to USD -8.86 billion in 2024 (0.6 percent of GDP), as shown in Figure 1.8. This trend is primarily driven by a narrowing trade surplus, reflecting weaker external demand from key trading partners, while domestic demand remains resilient (BCA Sekuritas (2025)).

As shown in Figure 1.8, goods exports increased marginally by two percent, rising from USD 257.81 billion in 2023 to USD 261.81 billion in 2024. However, this growth was outpaced by services exports, which expanded by 16 percent year-over-year. In contrast, both goods and services imports declined by five percent and 12 percent, respectively. The primary income account deficit also narrowed by 0.2 percent, driven by reduced investment income payments to non-resident investors. Meanwhile, the secondary income account surplus expanded by 11 percent, supported by higher remittance inflows, which collectively helped mitigate the impact on the overall current account balance (Bank Indonesia (2024b)).

1.4 Labour Market and Social Development

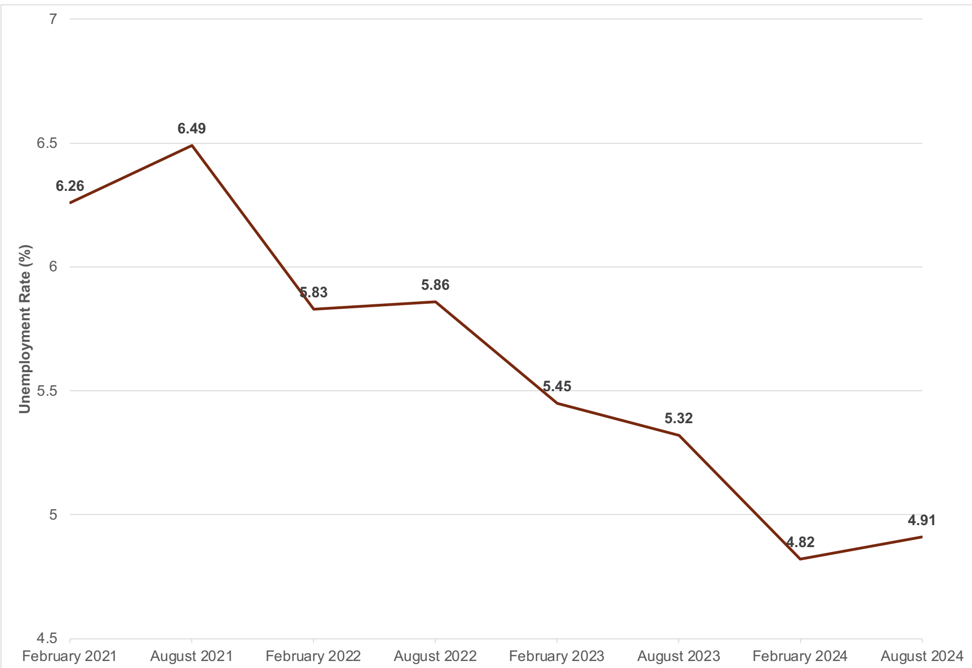
Figure 1.9 illustrates the trend in unemployment rates following the COVID-19 pandemic. As a result of the pandemic, the country experienced a high unemployment rate of 6.49 percent in August 2021. However, through various measures and policies, such as the *Pra-Kerja* Card programme, the provision of wage subsidies, the expansion of vocational training programmes, the implementation of job creation programs in rural areas, and the enhancement of labour market information systems, the government succeeded in reducing the unemployment rate to 5.32 percent by August 2023. By February 2024, the rate further decreased to 4.82 percent, and remained at 4.91 percent in August 2024, even

Figure 1.8: Current Account Components of Indonesia (US$ Billion), 2019–2024



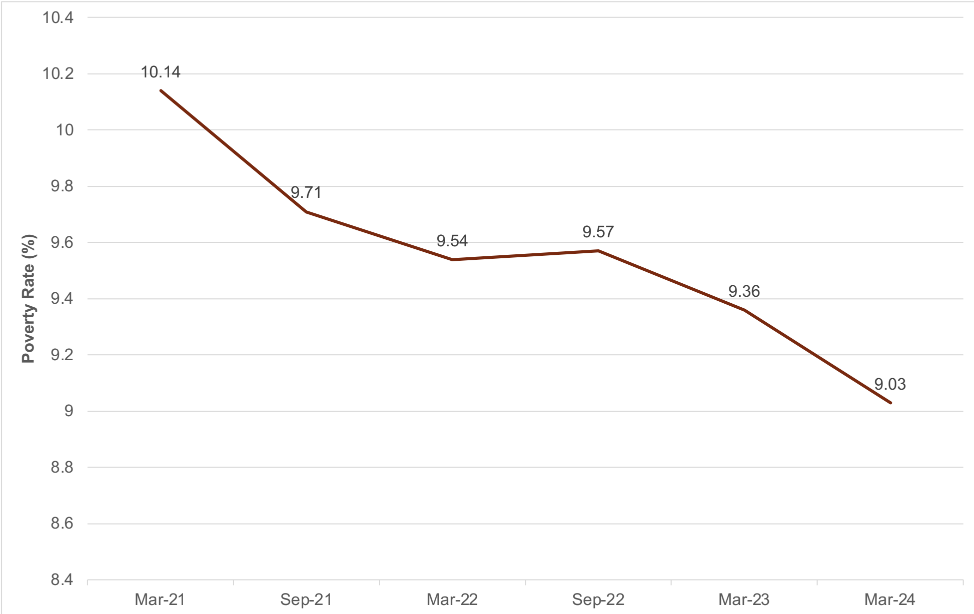
Source: Central Bank of Indonesia

Figure 1.9: Unemployment rate (Percentage), 2021–2024



Source: Central Bureau of Statistics (BPS)

Figure 1.10: Poverty Rate (Percentage), 2021–2024



Source: Central Bureau of Statistics (BPS)

falling below the pre-pandemic level of five percent.

The total workforce, based on the National Labour Force Survey (Sakernas) for August 2024, was recorded at 152.1 million individuals, marking an increase of 4.4 million people compared to August 2023. Furthermore, the Labour Force Participation Rate (TPAK) rose by 1.15 percentage points relative to August 2023. The employed population reached 144.6 million people, reflecting an increase of 4.79 million individuals since August 2023. Notably, the agriculture, forestry, and fishing sector experienced the most significant growth, with an increase of 1.3 million people from August 2023 to August 2024.

The trend in job vacancies has shown an upward trajectory, despite the reality that certain job categories may phase out while new types of employment emerge. This trend is influenced by the demographic bonus, in which a substantial portion of the population is of working age. This demographic shift has contributed to an expansion of employment opportunities both domestically and abroad. Additionally, the emergence of new entrepreneurs has played a key role in generating new job opportunities, further enriching the dynamic job market (Violleta (2024)).

Figure 1.10 presents the trend in poverty rates over recent years. The poverty rate has significantly decreased from 10.14 percent in March 2021 to 9.03 percent in March 2024. This decline signals a positive outcome in line with the government's 2024 state budget target to eradicate poverty. As mentioned earlier in this chapter, this reduction is attributed to various poverty alleviation measures implemented in 2024, including the expansion of conditional cash transfers through programmes such as the Family Hope

Programme (PKH), Food Assistance (Sembako), and the Indonesia Health Card (KIS).

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