



Boosting the Recovery

Indonesia Economic Prospects, June 2021

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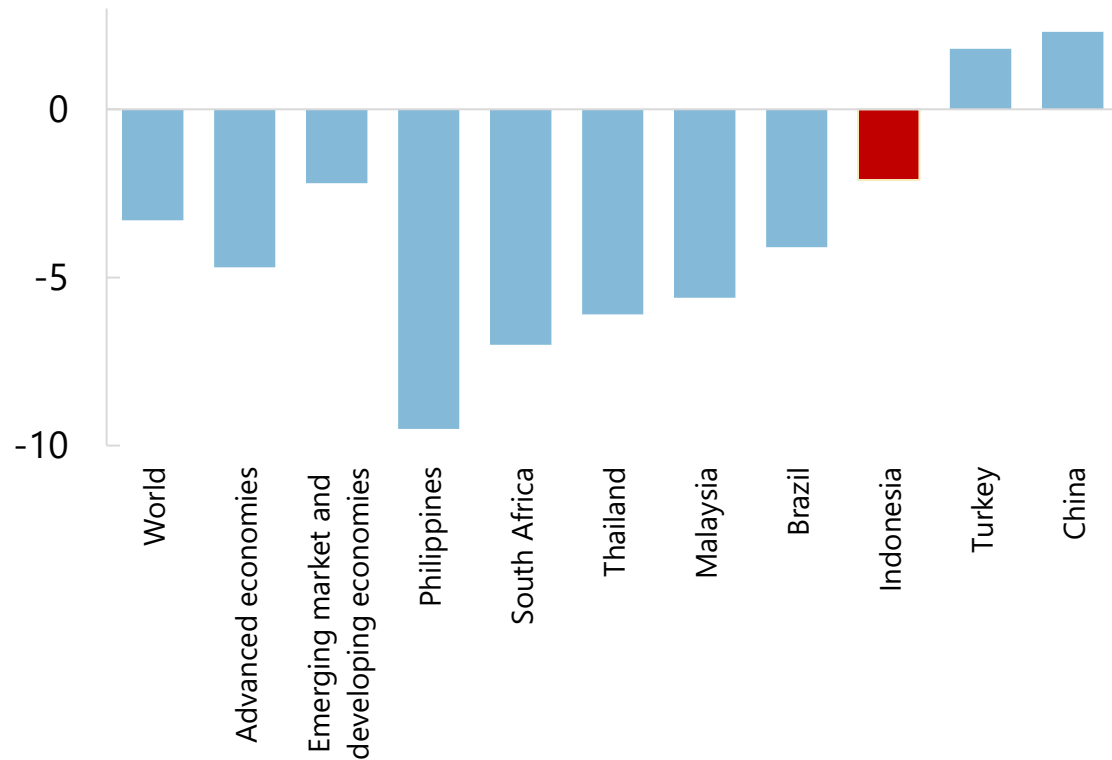
Policy response

Economic outlook

Policy priorities

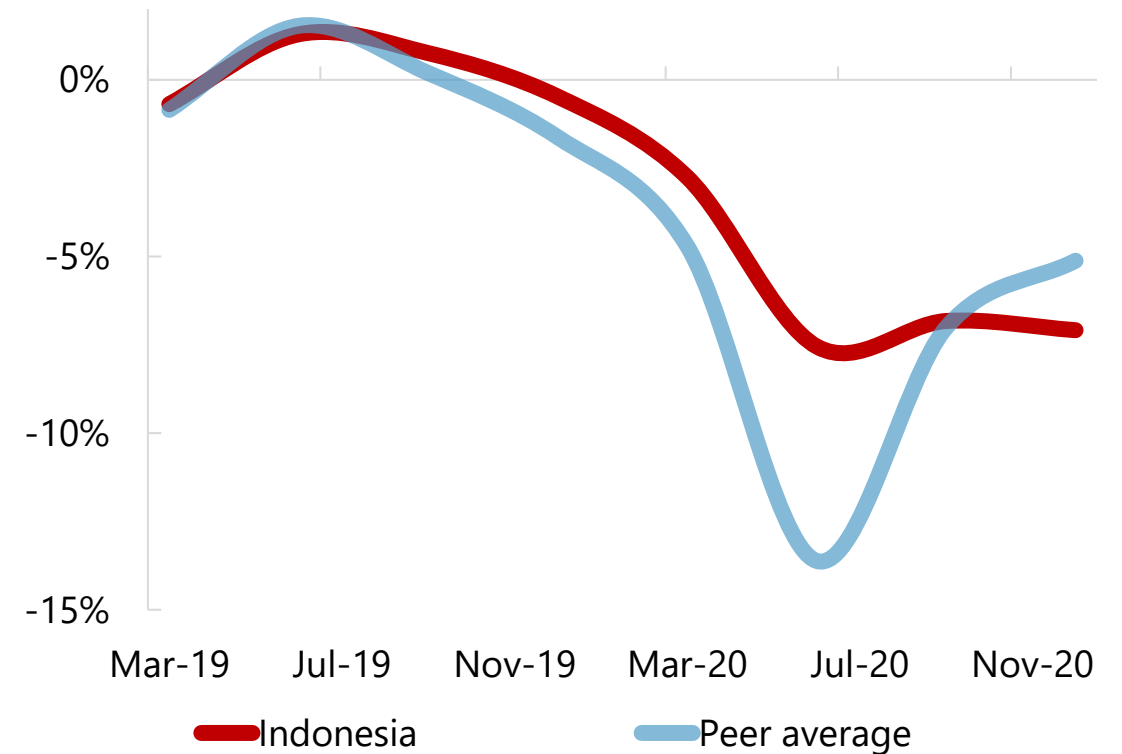
Economy getting back on its feet after several COVID punches

Real GDP growth in 2020, in percent



Source: World Economic Outlook, IMF.

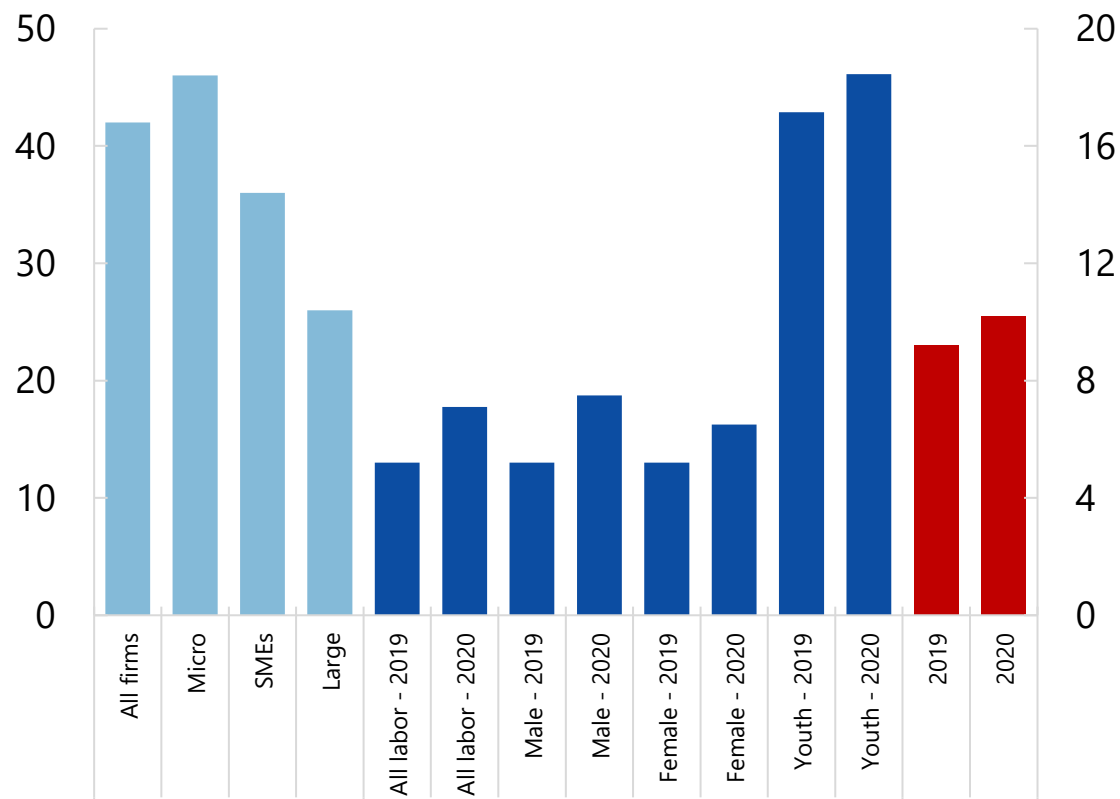
Real GDP relative to pre-crisis trend, in percent



Source: CEIC, Oxford COVID-19 Government Response Tracker, World Bank staff calculations.

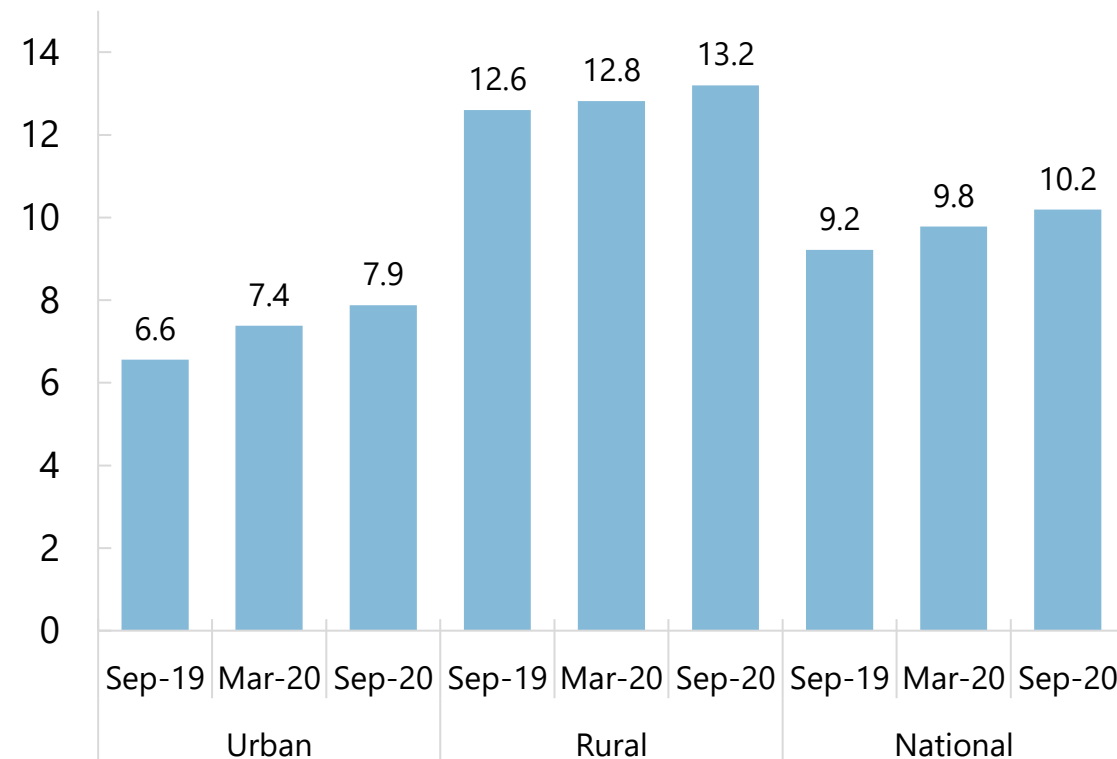
The poorest and most vulnerable have been hit the hardest

Impacts on firms, workers, and households (%)



Source: Business Pulse Survey, Round 2 October 2020; SAKERNAS August 2020, BPS, World Bank staff calculations.

Poverty rate (% , 2019-2020)



Source: BPS, World Bank staff calculations.

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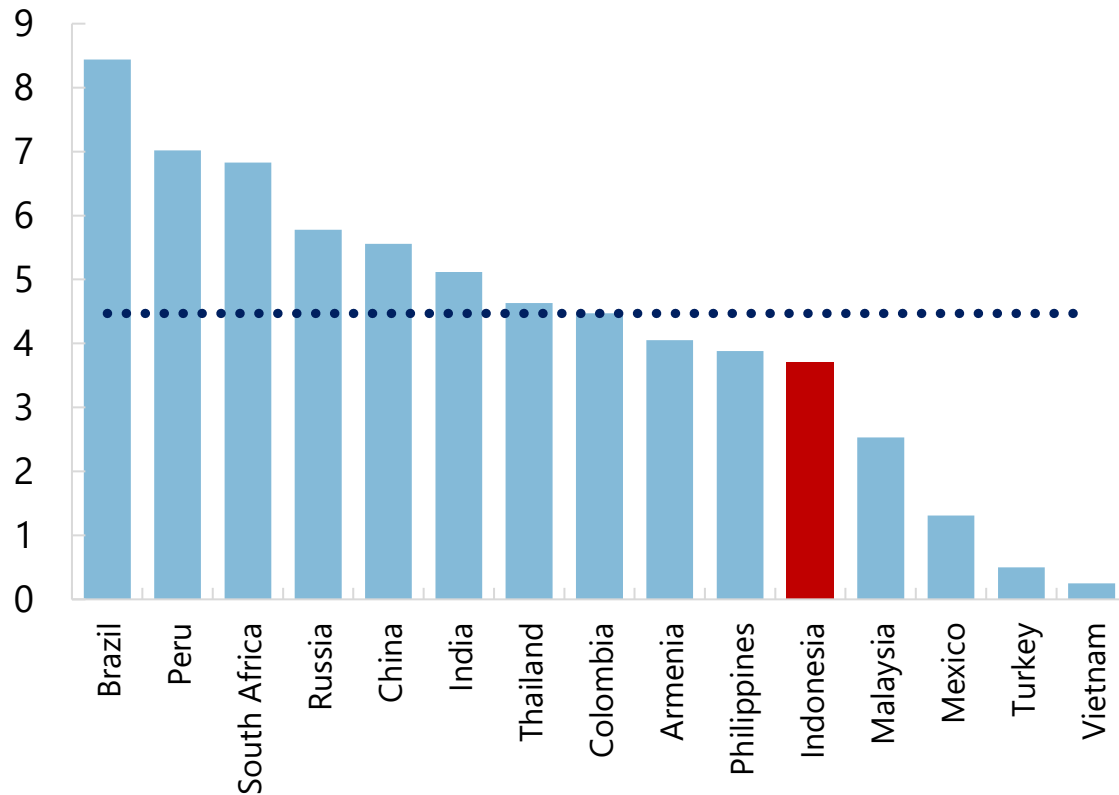
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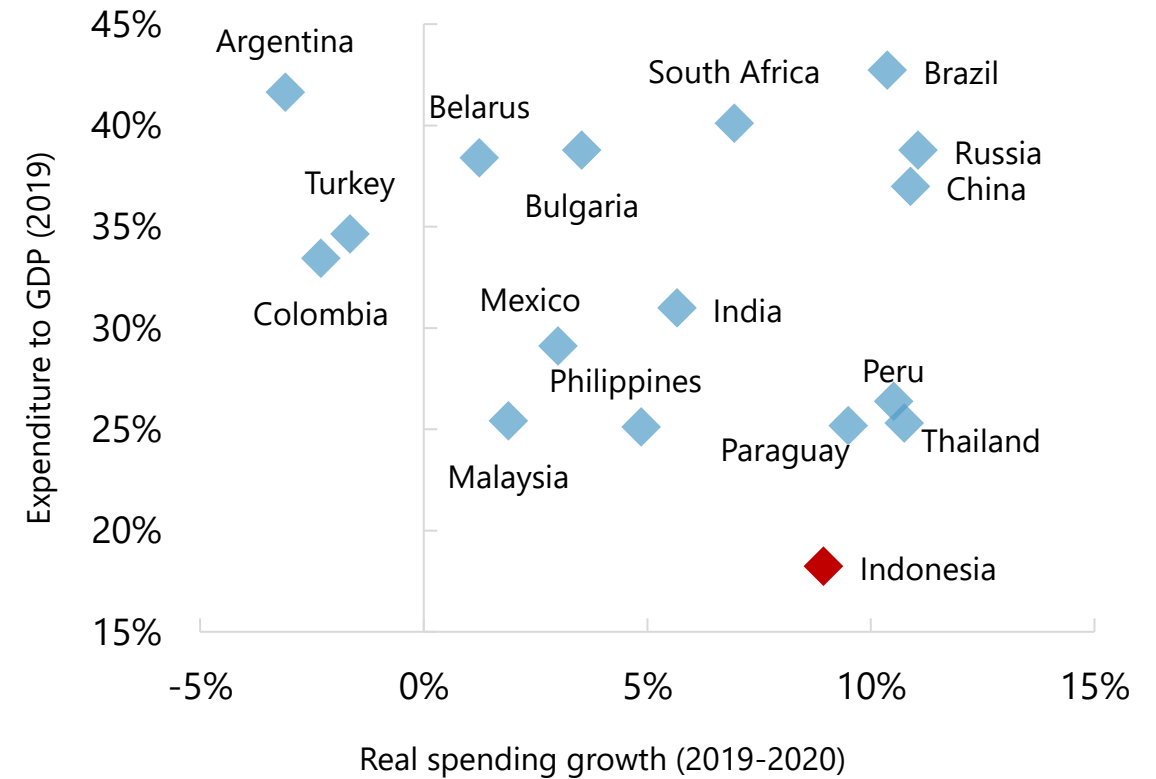
Fiscal support cushions the economy from a larger bruise

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



Source: WB Macro Poverty Outlook April 2021.

Spending level vs. spending growth 2019-2020



Source: Haver Analytics, IMF WEO, World Bank staff calculations.

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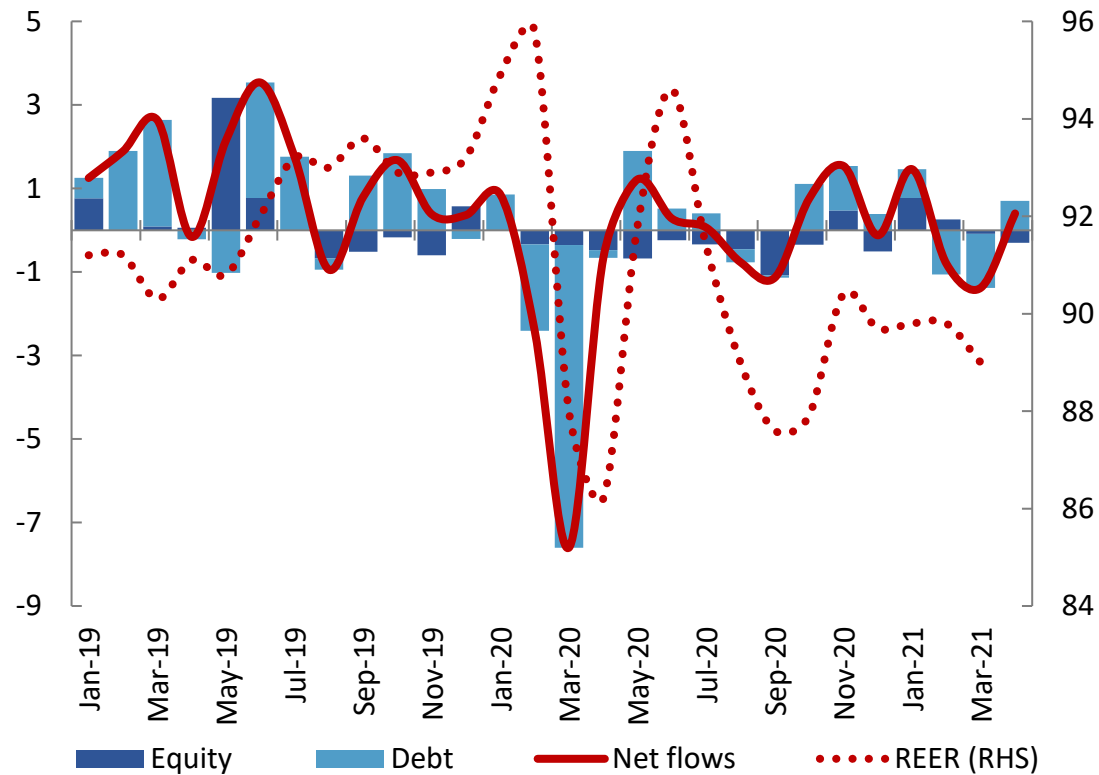
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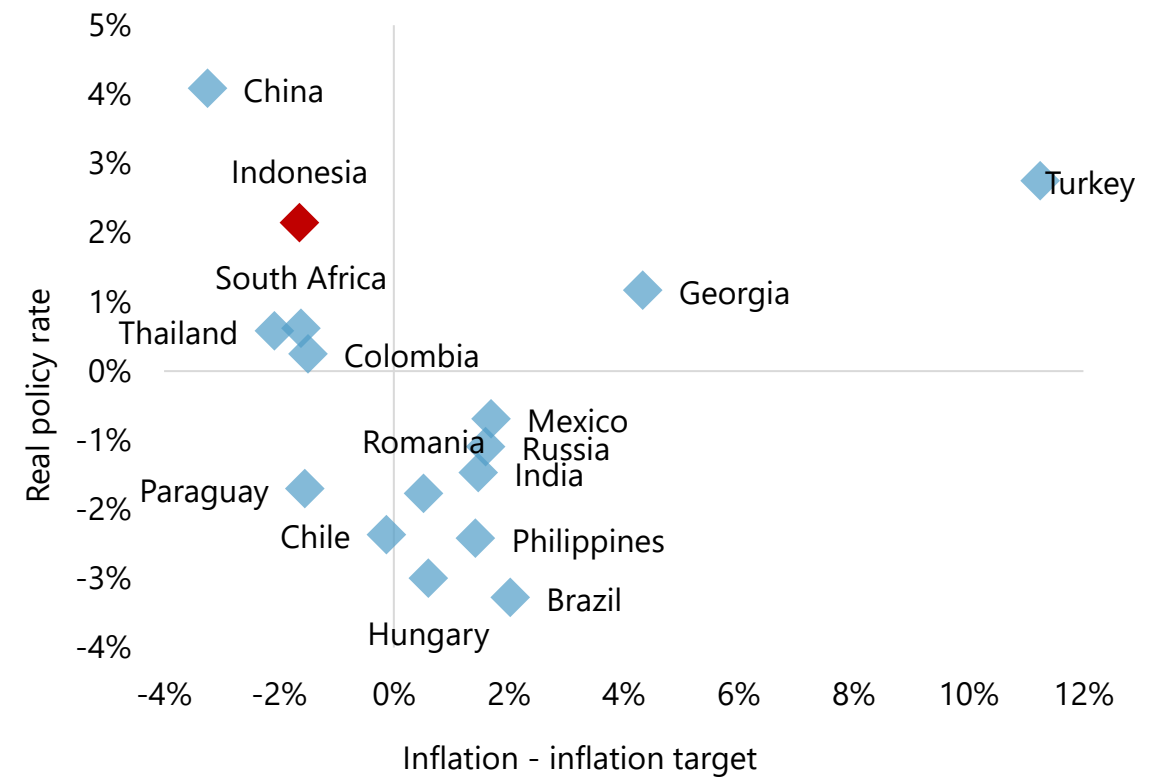
Assisted by a dose of monetary policy

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.

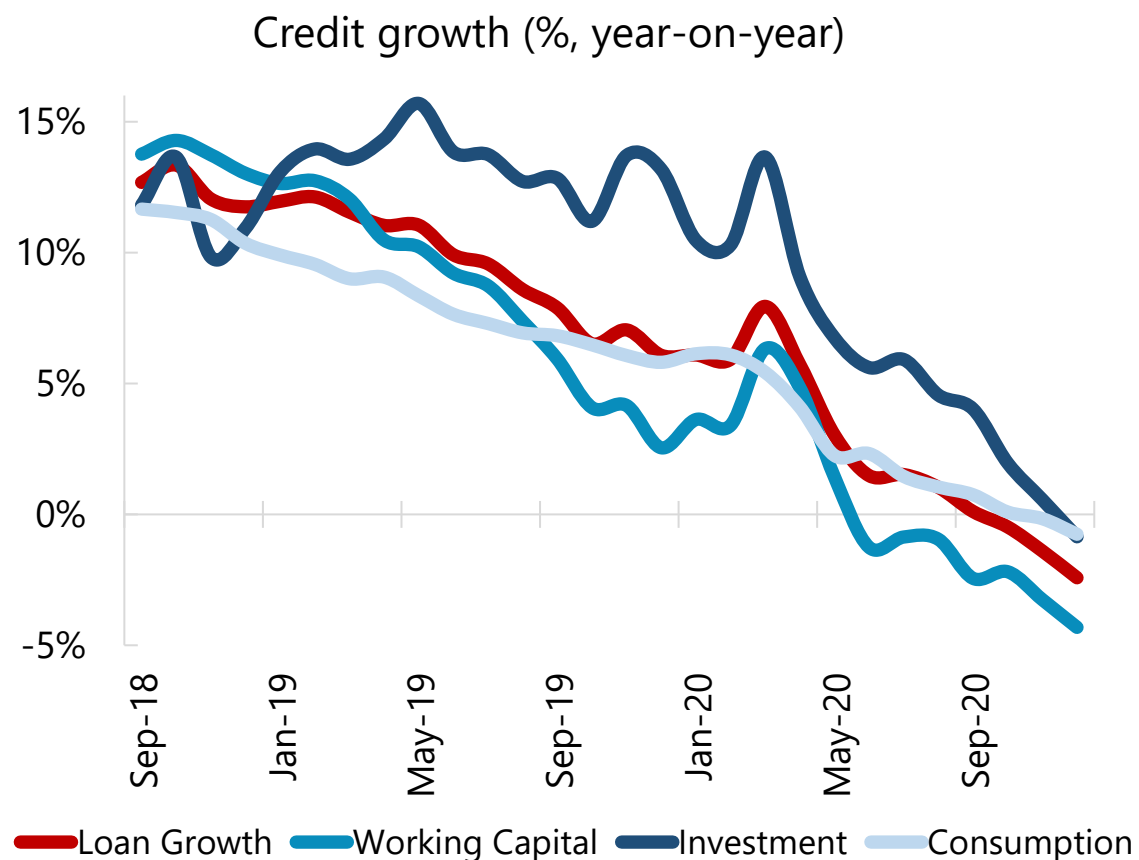
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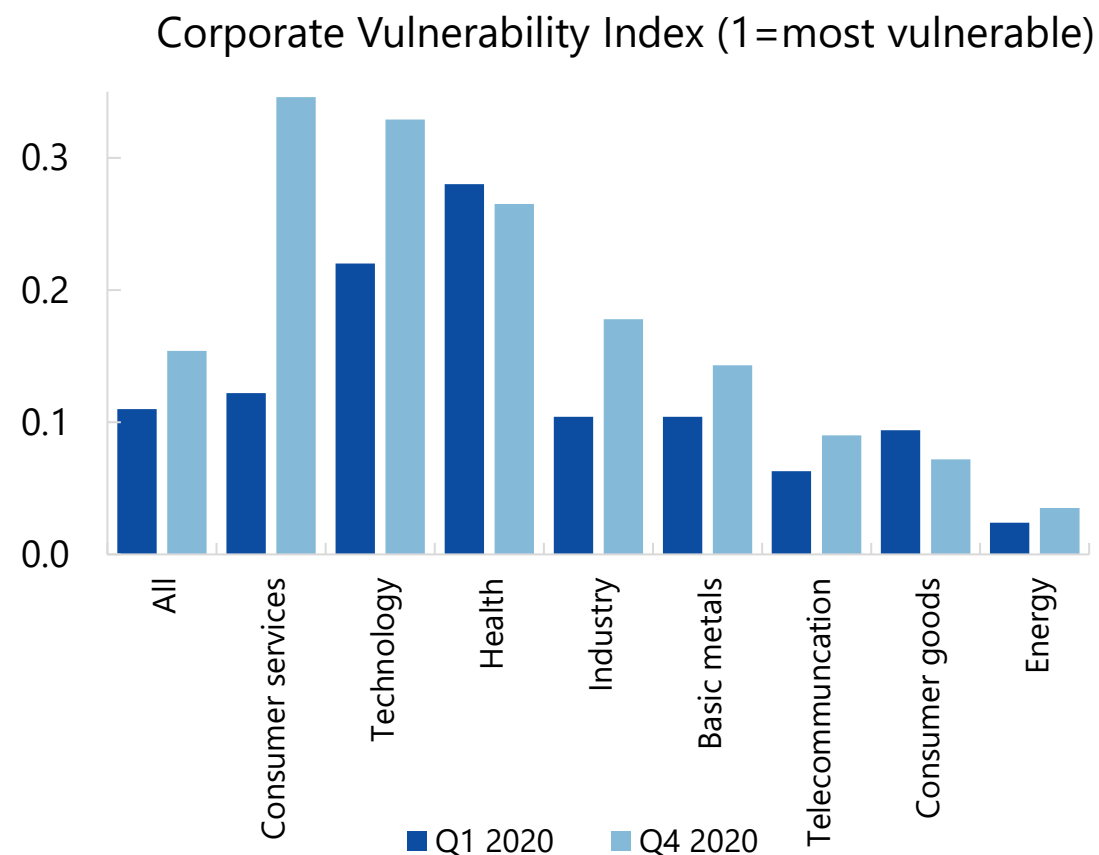
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Private credit has fallen with moderate increase in corporate health concerns



Source: OJK.



Source: Bloomberg, WB staff calculations.

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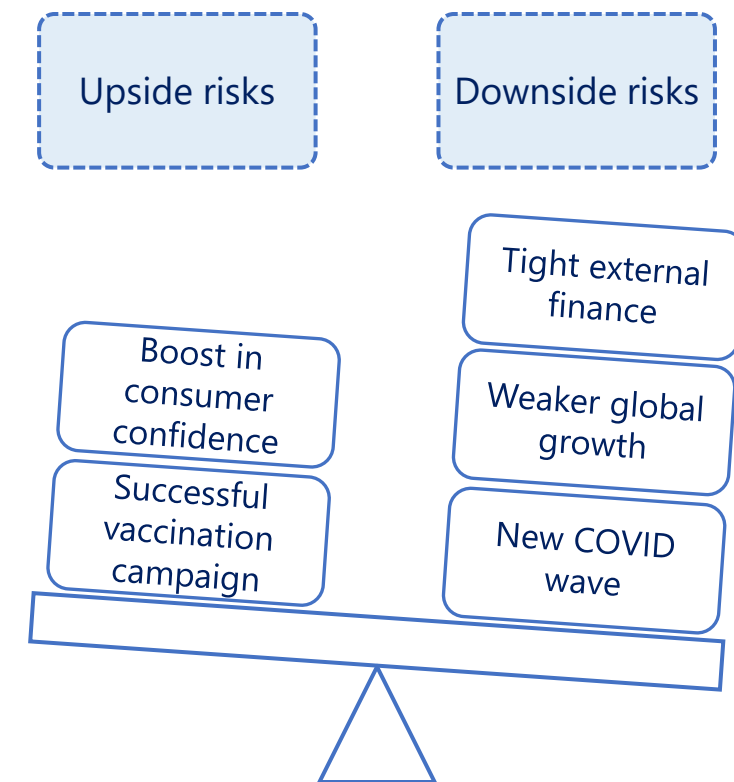
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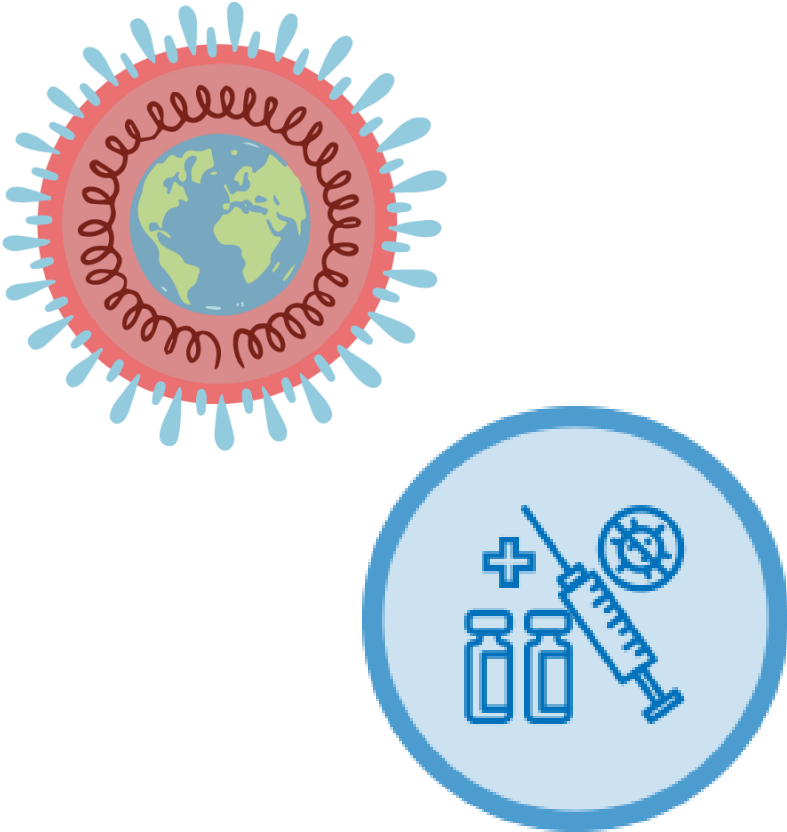
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The fight against COVID enters another round

	2019	2020	2021	2022	2023	2024
	Actual		Projection			
Real GDP	5	-2.1	4.4	5	5.1	5.1
CPI (year-average)	2.8	2	2.3	2.8	3.2	3.4
Fiscal Balance	-2.2	-6.2	-5.4	-4.1	-3	-3
Central Government Debt	30.2	39.4	41.2	42.6	43	43.5
Current account balance	-2.7	-0.4	-1.5	-1.8	-2	-2.3

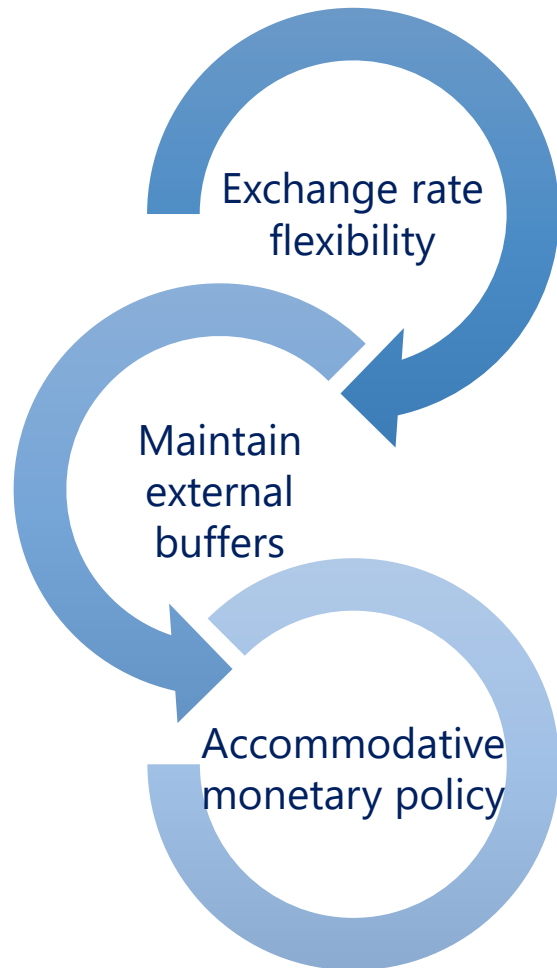


Winning the race against infections



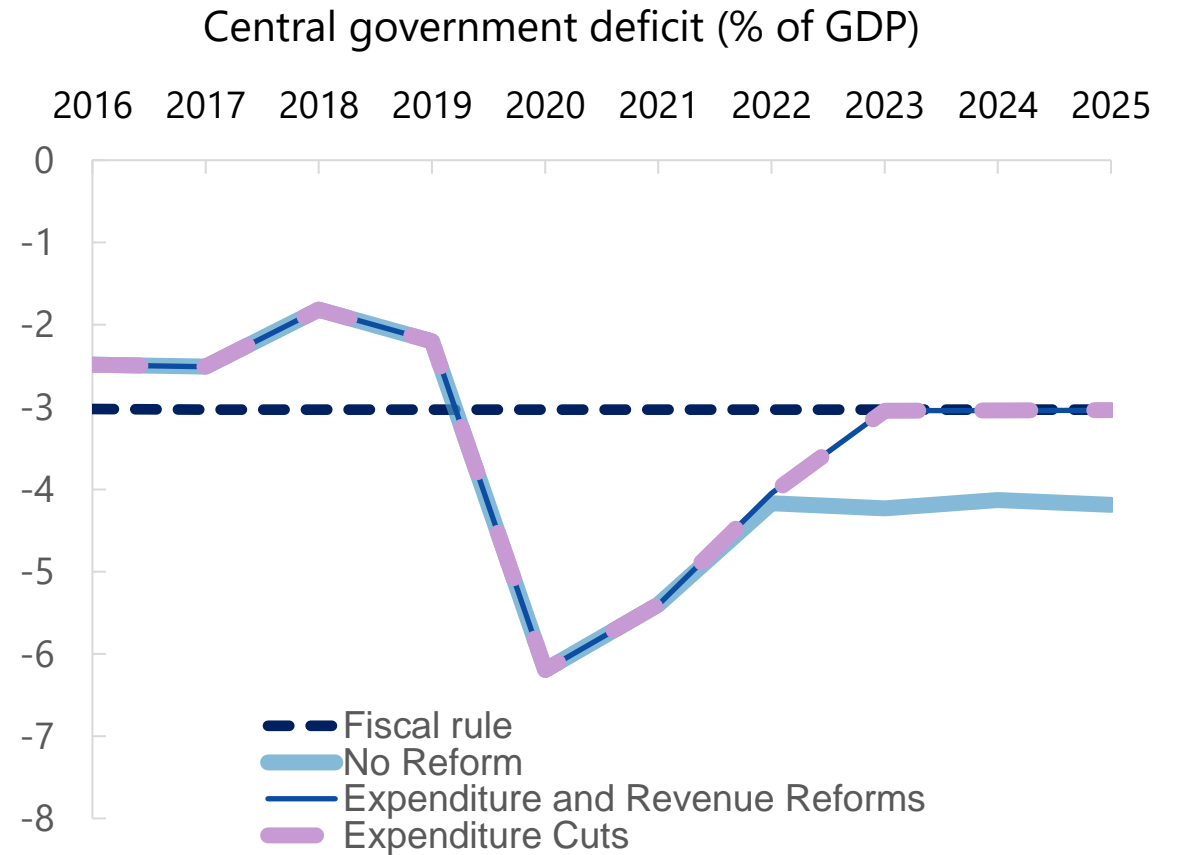
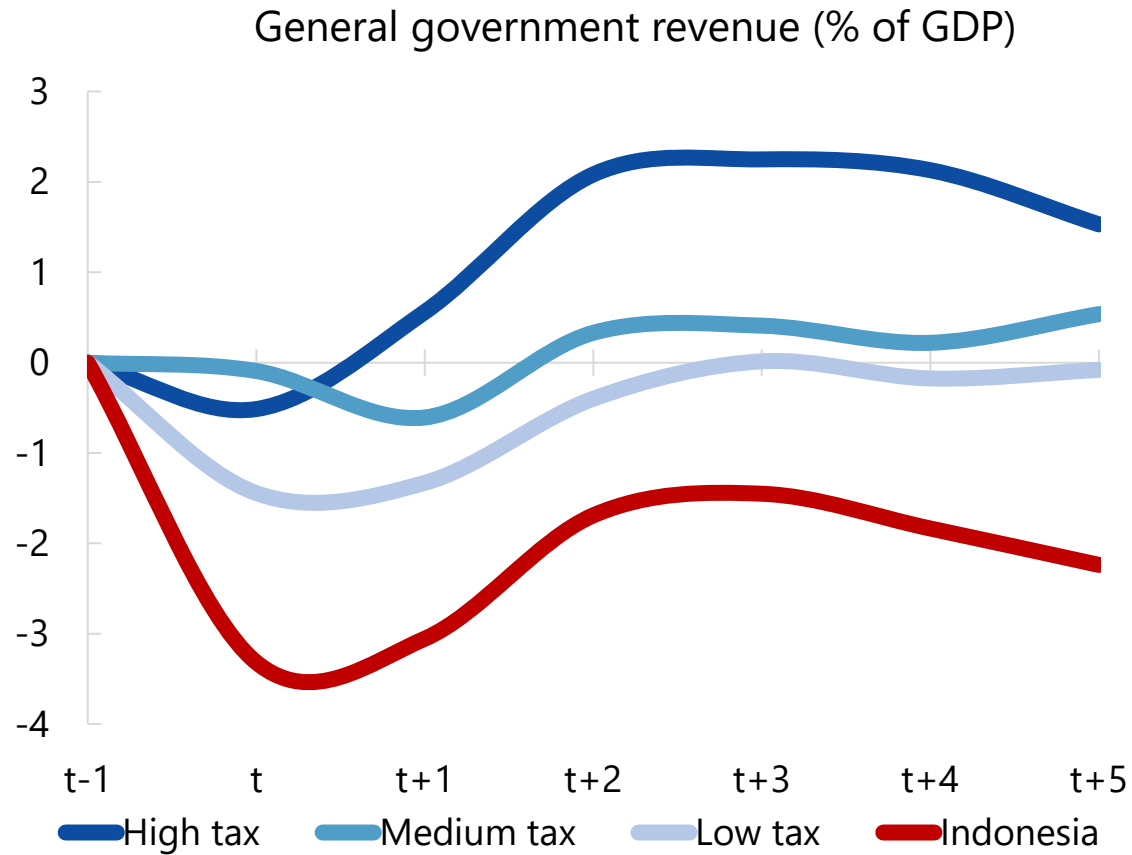
- Recent acceleration in daily cases is cause for health, social and economic concerns
- Authorities have established sound vaccination strategy. Supply constraints are starting to ease. Prioritize geographic locations where transmission rates are the highest
- Successfully containing the pandemic will 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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Thank You

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