INDOPREMIER

MacroInsight

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Macroeconomics Indicator

	2023	2024	2025F
GDP growth (%YoY)	5.05	5.03	5.00
Inflation (%YoY)	2.61	1.57	1.97
BI rate (% Year-end)	6.00	6.00	4.75
Rp/US$ (year-end)	15,244	15,853	16,122
CA deficit (% of GDP)	-0.1	-0.7	-1.50
Fiscal deficit (% of GDP)	1.65	2.3	2.78

F: forecast, P: preliminary; all baseline scenario

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8 imminent stimulus aims to restore confidence in domestic economy

- 8 initiatives worth Rp16.23tr provide rice aid, cash-for-work, internships, tax relief, deregulation, BPJS discounts, and housing incentives.
- Government targets 3.56mn new jobs by 2027, while expanding worker protection to increase job security despite rising share of informal jobs.
- By adhering to the 3% deficit threshold, the government helps preserve fiscal credibility, Rupiah stability, and investor confidence.

Muted consumption and weak confidence

The recent riot triggered urgency for the government to address consumer weakness. Household spending grew only 4.9% in 2Q25, below overall growth of 5.12%. Expectation for stronger 3Q were not confirmed by high-frequency data. Consumer confidence remains low, with pessimism on job availability worsening and current income index near a three-year low. Retail sales fell mom for five straight months since Apr25 (-2.2% mom on avg since Apr25/-0.14% YTD), a trend not seen even during COVID. Meanwhile, individual savings showed mixed signals: although aggregate rates rose 1.14%/0.76% yoy in Jun/Jul25, average balances in saving accounts under Rp100mn continued to shrink (-4.6% in Jul25/-5.3% YTD), showing pressure among lower-income households.

Eight stimulus programs to support growth in 2025

The 2025 Acceleration Program consists of eight initiatives totalling Rp16.23tr. The largest portion (Rp7tr) is for: 10kg rice aid for 18.3mn families in Oct–Nov25, freeing Rp191,257 in monthly expenses per family. Cash-for-work worth Rp5.3tr supports 609k construction workers with Rp2.58mn monthly pay, boosting infrastructure projects. Internships for 20k graduates provide Rp1.65mn/month. Tourism workers' tax relief worth Rp72k/month. Deregulation accelerates the investment process, while BPJS discounts reduce insurance costs for online drivers and couriers. A housing loan rate cut benefits 1,000 units. These programs aim to ease household burden, sustain consumption, and stabilize social conditions.

3.5mn job creation target by 2027

The government targets 3.56mn additional jobs by 2027 through agriculture, fishery, and replantation projects. Merah Putih Cooperative is expected to absorb 1.39mn workers by Dec25. Fisherman Village projects could employ 8.6k workers in the short-term and 200k long-term. Fish pond revitalization and vessel modernization add 368k jobs, while replantation of 870k hectares could absorb 1.6mn workers. Most jobs will be in non-wage roles such as farmers, fishers, and construction workers. The planned extension of JKK and JKM in 2026 should improve security for these workers, aligning job creation with better protection for vulnerable employment groups.

Stimulus shall restore confidence while preserving Rupiah stability

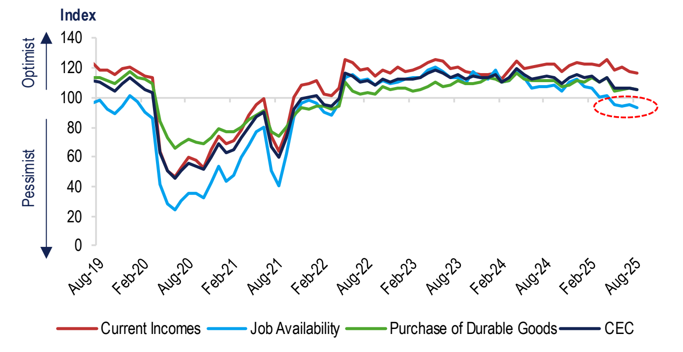
The Rp16.23tr stimulus is small relative to total spending but can help restore confidence. Rice aid may be extended until Dec25, subject to review, and more stimulus can be expected. The job creation is critical as labor fragility is rising due to labor force growth outpaced employment growth in Feb25, while 59%/87mn of jobs are informal in Feb25 (vs. 57%/76mn in Feb20). This underscores the need for long-term reforms to complement short-term support and sustain recovery. Finance Minister Purbaya described the programs as budget optimization, noting frequent underspending. By keeping the deficit below 3%, fiscal credibility and Rupiah stability are preserved. These measures could lift GDP growth to 5% in 2025, or even higher.

Muted consumption and weak confidence

The recent riot has created urgency for the government to respond to weak household conditions. In 2Q25, household spending grew only 4.9%, lagging overall GDP growth of 5.12%. Expectations for improvement in early 3Q25, as government spending increased in June, were not supported by high-frequency indicators. Consumer confidence remains weak, with rising pessimism on job availability and the current income index falling near a three-year low. Retail sales contracted mom for five straight months since Apr25, averaging -2.2% mom, a deeper and longer decline than during the COVID period. Year-to-date, retail sales fell -0.14%.

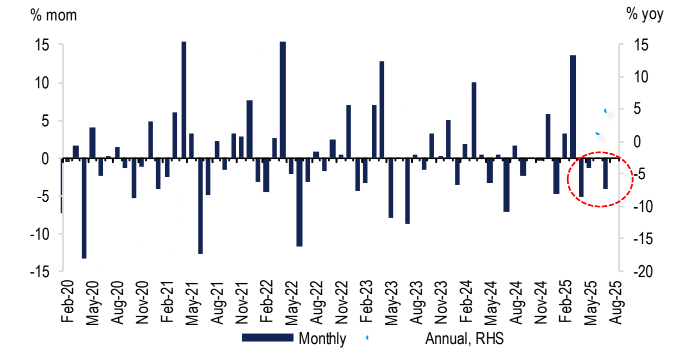
On the saving side, the headline saving rate still showed yoy growth in Jun25 (+1.14%) and Jul25 (+0.76%). However, the distribution was uneven. Average balances in savings accounts below Rp100mn continued to shrink, declining -4.6% yoy in Jul25 and -5.3% YTD. This indicates that lower-income households remain under pressure despite stable aggregate savings.

Fig. 1: Pessimism on Job Availability worsened in Aug25



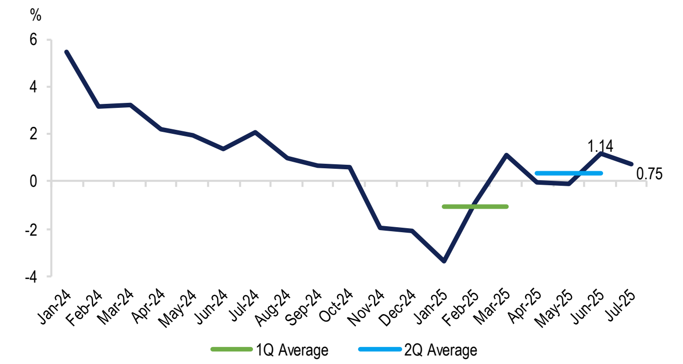
Source: BI, Indo Premier

Fig. 2: Retail sales fell mom consecutively since Apr25



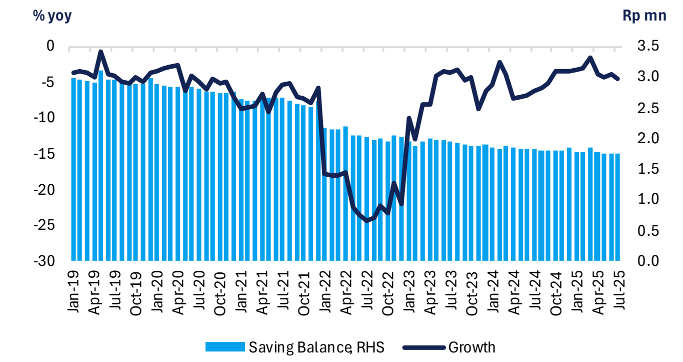
Source: BI, Indo Premier

Fig. 3: Individual TPF showed sustained growth in Jun-Jul25



Source: BI, Indo Premier

Fig. 4: Saving Balance for <Rp100mn account still falling



Source: BI, Indo Premier

Eight Stimulus Programs to Support Growth in 2025

The government moved quickly after reshuffling the finance minister to roll out a new set of measures. Following the Rp200tr placement by the Ministry of Finance in state-owned banks, the government launched the 2025 Acceleration Program, consisting of eight stimulus programs worth Rp16.23tr. The largest program, with Rp7tr in budget, is a 10kg rice aid package for 18.3mn families in Oct–Nov25. We calculate that each family is expected to save Rp191,257 in monthly expenses, equivalent to Rp20,260/person. The second-largest program is a Rp5.3tr cash-for-work initiative for 609,465 construction workers, funded by the Ministry of Public Works (Rp3.5tr) and the Ministry of Transportation (Rp1.8tr). Each worker will receive around Rp2.58mn/month, while also accelerating progress in irrigation and regional infrastructure projects.

For fresh graduates, the government allocated Rp198bn for 20,000 internship positions that will last six months, paying each participant the provincial minimum wage (around Rp1.65mn/month on average). This program targets young workers aged 20–24, a group with an unemployment rate of 15.6% in Feb25. For tourism workers earning below Rp10mn/month, the government will bear their income tax between Oct–Dec25 at a cost of Rp120bn, equal to Rp72,464/worker/month. This program will continue into 2026.

Other measures include accelerating business licensing under PP 28/2025, BPJS insurance discounts for online drivers and couriers that reduce monthly contributions by Rp49,233, and cheaper housing loans under the BPJS Employment Housing Program. For homebuyers through the program, the lending rate is cut to BI Rate + 3% from BI Rate + 5%, while developers' rate is lowered to BI Rate + 4% from BI Rate + 6%. This housing program will cover 1,000 units with Rp150bn in budget.

These measures collectively target both household relief and labor stability, particularly for vulnerable groups such as drivers, couriers, and low-income families.

Fig. 5: Eight Initiative in 2025

No	2025 Program Acceleration	Freed income/person (Rp/month)	Beneficiaries (person)	Total Budget (Rp bn)	Notes
1	Income Tax borne by gov't for tourism workers	72,464	552,000	120	Income Tax on Oct-Dec25 wages
2	Cash-for-work	2,583,015	609,465	5,300	Daily wages for construction in irrigation and regional projects
3	Rice Aid	20,260	18,277,083	7,000	10kg rice for Oct-Nov25
4	Cash for Fresh Grads	1,650,000	20,000	198	6 months work, wage wil be based on UMP
5	Discount on Work Accident and Death Insurance	49,233	731,361	36	Borne by BPJS. Death benefit = 48x wage ; disability = 56x wage; scholarship = Rp174mn for 2 children
6	Discount for BPJS Employment Housing Program	150,000,000*	1,000**	150	Borne by BPJS. Housing loan rate cut: buyers 5%→3% + BI Rate, developers 6%→4% + BI Rate.
7	Faster Deregulation on PP No.28/2025			1,000	Expand regions with RDTR–OSS integration.
8	Improving Gig Economy ecosystem				Pilot project starts in Jakarta, expands to other cities next year

** Expected discount per beneficiary per house purchase
** House units

Source: Various, Indo Premier

3.5mn job creation target until 2027

Alongside short-term relief, the government set job creation as a core priority for the next two years. By 2027, the government expects to generate 3.56mn new jobs through programs in agriculture, fishery, and replantation. The Merah Putih Cooperative (KDMP) is projected to absorb 1.39mn workers by Dec25. The Merah Putih Fisherman Village program is expected to employ 8,645 workers in the short term and as many as 200,000 in the long term. Additional job opportunities will come from fish pond revitalization and vessel modernization, estimated to create 368,000 jobs. The largest contribution comes from replantation of 870,000 hectares, which could absorb up to 1.6mn workers by 2027.

These initiatives are heavily concentrated in non-wage roles such as farmers, fishers, construction workers, and domestic workers. To complement this, the government plans to extend BPJS coverage for workplace accident (JKK) and death insurance (JKM) to the non-wage workers in 2026, which should enhance job security in these sectors. This combination of employment creation and expanded worker protection aims to strengthen resilience among groups most exposed to income volatility.

Fig. 6: Extended Program in 2026

No	Extended Program in 2026	Beneficiaries	Total Budget (Rp bn)
1	0.5% Final Income Tax for MSME	542,000 MSMEs*	2,000
2	Income Tax borne by gov't for labor-intensive workers	1.7mn workers	800
3	Income Tax borne by gov't for tourism workers	552,000 workers	480
4	Extended discount on work accident and death insurance for non-wage workers	9.9mn workers	753

* *applied MSMEs in 2025*

Source: Various Source, Indo Premier

Fig. 7: Job Creation Initiatives until 2027

No	Faster Job Creation Program	Job added
1	Merah Putih Cooperative (KDMP)	1,385,279 workers by Dec25
2	Merah Putih Fisherman Villange	8,645 workers in short-term
		200,000 workers in two years
3	20 kha Fish Ponds Revitalization in North	168,000 workers
4	1,000 Fishing Vessels Modernization	200,000 workers
5	870 kha replantation by small plantations	1,600,000 workers in two years

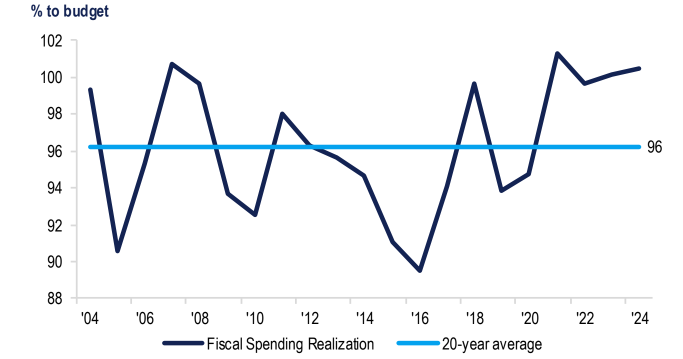
Source: Varoius, Indo Premier

Stimulus may restore confidence while preserving Rupiah stability

At Rp16.23tr, the total budget for these programs is relatively small compared to overall government spending, but the impact is significant. Beyond near-term relief, the stimulus plays an important role in restoring public confidence after months of weak consumption. The rice aid program may even be extended to Dec25, subject to further evaluation, and more stimulus could follow. Finance Minister Purbaya stressed that these programs reflect budget optimization, noting that spending realization often falls short of target. By accelerating disbursement, the stimulus boosts demand without pushing the deficit above the 3% ceiling. Adhering to the deficit threshold preserves policy credibility, supports Indonesia's sovereign rating, and stabilizes the Rupiah.

At the same time, job creation remains essential to sustain recovery. Indonesia's unemployment rate returned to pre-COVID levels in 2024, but by Feb25, labor force growth outpaced employment gains, raising risks of future labor slack. Informality has also increased, with 59% of employment (87mn workers) in Feb25 classified as informal, up from 57% (76mn workers) in Feb20. This structural fragility means the government must look beyond short-term stimulus and pursue long-term reforms that boost formal job creation. If executed effectively, the announced programs and potential follow-up measures could lift GDP growth toward 5% in 2025, or even higher, while keeping external and fiscal stability intact.

Fig. 8: Fiscal Spending Realization is averaging at only 96%



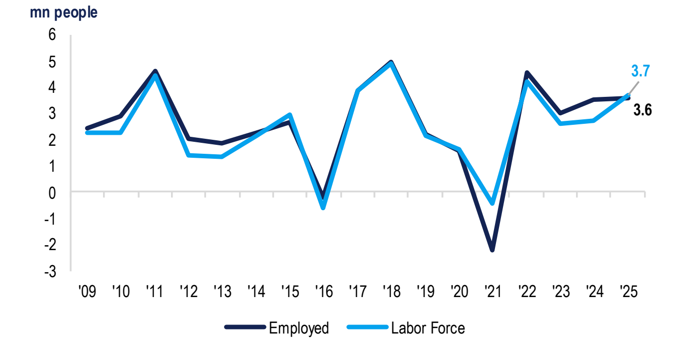
Source: BPS, Indo Premier

Fig. 9: The significance of 3% deficit threshold for Indonesia

Rating Agency	Downside Scenario	Source
S&P Global	Net General Gov't debt will rise at a nnual rate of more than **3% of GDP** on a consistent basis	S&P (Jul25)
FitchRatings	Substantial fiscal deficits above 3% of GDP over the medium term could trigger negative rating pressure.	Bloombeg (Sep25)

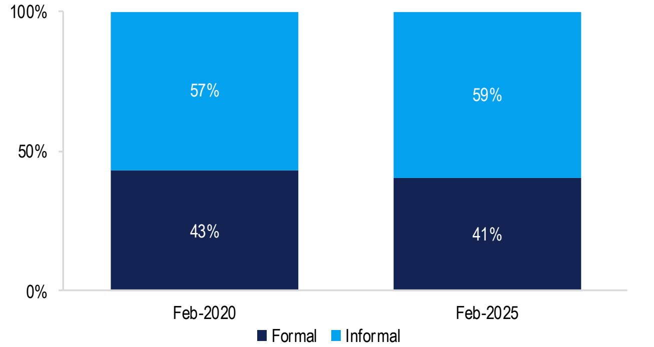
Source: BPS, Indo Premier

Fig. 10: Labor force growth outpaced Employment growth



Source: BPS, Indo Premier

Fig. 11: Informal workers are getting close to 60% of employment



Source: BPS, Indo Premier

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