1. Global Economy Faces Increased Risk of Stagflation
Global Growth Projected to Slow Sharply in the Medium-Term

GDP (% change)

Inflation Above Targets in Most Inflation-Targeting Countries

Countries with Inflation Above Target (% share)

2. Global Outlook Poses Risks for Growth and Inflation in Indonesia
Growth Acceleration on the Back of Commodity Prices and Domestic Demand

<table>
<thead>
<tr>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
<th>2025</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual</td>
<td>WB projection</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real GDP (% change)</td>
<td>5.0</td>
<td>-2.1</td>
<td>3.7</td>
<td>5.1</td>
<td>5.3</td>
<td>5.3</td>
</tr>
<tr>
<td>Consumer Price Inflation (CPI) (avg, %)</td>
<td>2.8</td>
<td>2.0</td>
<td>1.6</td>
<td>3.6</td>
<td>3.5</td>
<td>3.6</td>
</tr>
<tr>
<td>Fiscal Balance (% of GDP)</td>
<td>-2.2</td>
<td>-6.1</td>
<td>-4.6</td>
<td>-3.7</td>
<td>-3.0</td>
<td>-2.9</td>
</tr>
<tr>
<td>Central Government Debt (% of GDP)</td>
<td>30.2</td>
<td>39.3</td>
<td>40.7</td>
<td>42.9</td>
<td>43.1</td>
<td>43.3</td>
</tr>
<tr>
<td>Current Account Balance (% of GDP)</td>
<td>-2.7</td>
<td>-0.4</td>
<td>0.3</td>
<td>0.2</td>
<td>-0.2</td>
<td>-0.6</td>
</tr>
</tbody>
</table>

Source: BI, BPS, MoF, World Bank staff estimates.

Private Consumption and Investment Projected to Pick Up

Source: BPS, World Bank staff estimates.
3. Short-Term Relief From Energy Subsidies But Case For Reform Is Strong
Energy Subsidies Have Declined But Remain Tied to Commodity Prices

April Fuel Price Changes Will Only Have Small Impact on Fuel Subsidies

Source: MoF, Pertamina, World Bank staff calculations.
4. Fiscal Shock Absorber Gives Space For Gradual Monetary Normalization
Consumer Price Forecasts are Rising Rapidly

Whilst the Real Interest Rate is Starting to Fall to Zero

Change in Inflation Forecasts during Commodity Price Rises (% point)

Real Policy Rate (%)


Source: CEIC, Consensus Economics Inc, WB Staff estimates.
5. Trade Restrictions Are Not a Solution To Rising Commodity Prices
Number of Countries Imposing Export Restrictions on Food and Fertilizers on the Rise

Previous Export Restrictions Exacerbated Global Food Price Pressures

The Contribution of Insulating Policies to Food Price Increases during 2010-2011

6. Shift Growth Drivers from Macroeconomic to Structural Policies
1. Strengthen enabling environment for firm recovery particularly MSMEs through access to credit, formalization, support for green and digital transformation.

2. Implement trade policies that boost competitiveness, growth and job creation, which could include the development of downstream industries.

3. Deepen the financial system by enhancing the supply and demand for resources, improving resource allocation, and ensuring stability.

4. Above Structural reforms together with tax reforms will enhance revenue collection for higher quality spending including through subsidy reform.