



NEWS RELEASE

Oct 24, 2025

Rating and Investment Information, Inc. (R&I) has announced the following:

Republic of Indonesia (Sec. Code: -)

[Affirmed] [Outlook Changed]

Foreign Currency Issuer Rating: BBB+, Positive -> Stable

RATIONALE:

Indonesia's economic fundamentals remain resilient, supported by demographic expansion, abundant natural resources and growing manufacturing sectors. The economy has been on a relatively stable trajectory, with the inflation rate kept in check. The government debt ratio remains at a low level, reflecting the government's fiscal policy in accordance with fiscal rules. R&I has a view that prudent fiscal and monetary policies have been maintained so far under the Prabowo administration. However, amid persistent uncertainty in the global economic outlook, it is necessary to assess whether the government can boost the economy while maintaining sound fiscal conditions over the medium term under the policy initiative that prioritizes social welfare issues. Accordingly, R&I has affirmed the Foreign Currency Issuer Rating at BBB+ and changed the Rating Outlook from Positive to Stable.

Indonesia's sovereign creditworthiness has been underpinned by stable economic growth sustained over the long term. In 2024, the economy grew by 5.0%, driven by strong private and government consumption against the backdrop of campaigns for the general election and decelerating inflation. The economy has been somewhat weak since the beginning of 2025, but is expected to gain momentum given the government's plan to accelerate spending in the second half of the year and the effects of monetary easing that should emerge. R&I expects real gross domestic product (GDP) to grow by approximately 5% in 2025. While growth of around 5% is envisaged in the medium term, further structural initiatives are essential to achieving the high growth rate pursued by the government, in R&I's view.

The inflation rate has remained within the target range of 2.5% plus/minus 1% in 2025, and the central bank has lowered the policy rate in a staged manner since September 2024. After experiencing significant depreciation against the U.S. dollar, the Indonesian rupiah has been relatively stable. The current account deficit, which remains at a low level, will likely hover around 1% of GDP. Foreign exchange reserves have decreased compared to the beginning of 2025 due in part to market intervention, but as of end-September 2025, still stand at a level equivalent to approximately 6 months of imports and servicing the government's external debt, or way above the level of total external debts that will mature within a year. There is little concern about foreign currency liquidity.

Except for the period when the application of fiscal rules was suspended for COVID-19 measures, the fiscal deficit has remained below 3% of GDP, with the deficit standing at 2.3% of GDP in 2024. Since the beginning of 2025, revenues have been running below the previous year's level due to temporary impacts of a new tax administration system and tax system changes, as well as the redirection of dividends from state-owned enterprises to the sovereign wealth fund Danantara. To secure financial resources for priority spending including a free school meal program, the government is pursuing budget efficiency and reallocation while working to accelerate spending that has shown notable execution delays. The initial deficit target of 2.5% of GDP has been raised to 2.78% of GDP. The 2026 budget includes expenditures significantly exceeding those of the previous year. With revenue growth also expected, the government projects a fiscal deficit of 2.68% of GDP.

The government debt to GDP ratio stands at a low level, or 39.8% as of end-2024. The debt ratio is expected to stay around 40% in the coming years. To secure fiscal space for President Prabowo Subianto's priority programme while adhering to fiscal rules, it is important to expand the revenue base, which has long been a challenge. Beyond addressing poverty and social issues, efforts to improve the business environment and develop infrastructure are crucial for achieving the government's medium-term growth path, in R&I's view. Attention is focused on the government's economic and fiscal policies as well as the role that the newly established Danantara will play.

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R&I RATINGS:

ISSUER: Republic of Indonesia

[Affirmed] [Outlook Changed]

	Rating	Rating Outlook
Foreign Currency Issuer Rating	BBB+	Stable

Primary rating methodologies applied:

R&I's Analytical Approach to Sovereigns [Jul 23, 2024]

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