S&P Global Ratings

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Research Update:

Indonesia Ratings Affirmed At 'BBB/A-2'; Outlook Stable

July 13, 2026

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Overview

- Indonesia's weakened fiscal and external positions--caused by high energy prices, higher interest rates, a weak currency, increased policy uncertainties, and accumulated debt--are temporary and could be mitigated by higher commodity prices and expenditure cuts, in our view.
- We believe government efforts to centralize management and reduce leakages in the resource and mineral sectors could eventually increase revenue and export earnings, particularly if policy implementation improves.
- We affirmed our 'BBB' long-term and 'A-2' short-term sovereign credit ratings on Indonesia.
- The outlook on the long-term rating is stable, reflecting our expectation that the deterioration in fiscal and external metrics is temporary and will reverse with higher commodity prices and a more stable pace of policy changes.

Rating Action

On July 13, 2026, S&P Global Ratings affirmed its 'BBB' long-term and 'A-2' short-term sovereign credit ratings on Indonesia. The outlook on the long-term rating is stable.

Outlook

The stable rating outlook reflects our expectation that government revenue will continue to recover this year and export receipts will rebound with higher commodity prices. Policies to boost revenue and export earnings from the resource sector should also lift revenue over time, particularly if policy changes become more predictable and well-executed. The stable outlook also reflects our expectation that the government continues to view its 3% annual deficit ceiling as an important policy anchor.

Downside scenario

We may lower the ratings if we believe that one or more of the following developments become likely:

- Net general government debt rising at an annual rate of more than 3% of GDP on a consistent basis;
- General government interest payments remaining above 15% of revenue on a sustained basis;
- Export receipts slowing down structurally, driving gross external financing needs consistently above levels equivalent to the sum of current account receipts and usable reserves.

Upside scenario

We may raise the ratings on indications that Indonesia’s fiscal and external metrics have strengthened structurally. This could happen if the country's fiscal deficit narrows toward 1% of GDP on a sustained basis as government revenue increases materially, financing cost moderates, and the exchange rate stabilizes. At the same time, material improvements in Indonesia's external metrics result in narrow net external debt falling below 50% of current account receipts and gross external financing needs going below 50% of the sum of current account receipts and usable reserves.

Rationale

Our ratings on Indonesia reflect the economy's robust growth prospects, generally prudent macroeconomic policy settings, and relatively light net external and government debt burden compared to peers. Balancing these strengths are modest GDP per capita, narrow export and fiscal revenue bases, and a domestic financial sector that is less deep and diversified than peers, which has pushed up the government’s repayment burden.

Institutional and economic profile: Fiscal spending and downstreaming policies anchor economic growth, although execution risks dent sentiment

- We forecast Indonesia's economy will continue to grow at around 5% annually over the next two to three years despite higher fuel prices.
- The government’s policies on down-streaming and exerting greater control over the minerals and resources sector could potentially increase growth in government revenue and export earnings.
- However, the pace of policy changes and uncertainties over implementation could affect investor confidence and weigh on currency and financial markets.

Indonesia’s economic growth accelerated to 5.6% in the first quarter 2026 year on year, largely due to a boost from holiday spending and larger fiscal disbursements. Despite the rosy growth outcome, financial markets in Indonesia saw significant turmoil in the first half of the year, with the benchmark stock index losing more than 30% of its market capitalization. The Indonesian rupiah also weakened, falling by around 7% against the dollar over the same period.

The divergence in the performances of the real and financial sectors in Indonesia likely reflects elevated external and domestic uncertainties. While the impact of U.S. tariffs is fading, the Middle East war and closure of the Strait of Hormuz have introduced fresh vulnerabilities for the region.

Indonesia is a net importer of crude and refined oil, even though it is a net exporter of liquified natural gas and other commodities, such as coal, crude palm oil, nickel, bauxite, and copper. Although commodity prices have generally moved up over the past few months, the increase in the prices of other commodities has not matched the surge in global oil prices. As a result, Indonesia's trade balance has been deteriorating since March, with higher fuel and stockfeed prices affecting many parts of the economy.

Domestically, the government has created a few powerful new agencies to fulfil its plan to lift Indonesia's growth. Despite its short operating track record, the newly established sovereign wealth fund, Danantara, has changed the state-owned sector in Indonesia by consolidating and trimming non-core business lines.

The newer Danantara Sumberdaya Indonesia (DSI) is also likely to change the commodity export sector, with the government aiming to increase revenue and export earnings from the sector by cracking down on practices such as under invoicing and transfer pricing.

These changes come at a time when sentiment has already been affected by a series of policy changes in this sector, including production quotas, export proceeds repatriation, mining license governance, and royalties. If not managed well, they could have more lasting impact on investment sentiment and economic growth. However, this is not our base case, as we believe that the government has been showing some flexibility in policy implementation in response to adverse industry feedback.

We forecast Indonesia's real GDP will grow 5.1% this year, given economic performance could moderate in the following quarters due to continued external uncertainties and higher domestic interest rates. We expect growth to average 4.9% per year from 2026 to 2029.

Average income in Indonesia remains lower than most other investment-grade sovereigns but is rising faster. GDP per capita could come in at US$5,200 this year, up only marginally from US$5,100 in 2025 against our expected nominal GDP growth of 8.3%. This is mainly due to rupiah depreciation. Notwithstanding exchange rate movements, Indonesia's trend growth of 3.9% will be better than most economies of similar income levels.

We continue to believe political and policy institutions in Indonesia are generally stable and free of challenges to their legitimacy. Indonesian policymakers continue to prioritize economic and financial stability. Over the years, they have made efforts to increase transparency through regular interactions and information-sharing with financial market participants. They were flexible in adjusting policies when required, such as making deep expenditure cuts to keep the deficit below the threshold this year.

Flexibility and performance profile: Debt servicing burden and external financing needs have increased, partly due to one-off factors.

- We expect Indonesia's fiscal deficit to remain below 3% of GDP, in line with the country's legal requirements, even with higher spending on energy subsidies.
- The current account deficit is likely to widen this year but higher export earnings and gradually normalizing energy markets will mitigate the impact.
- While the currency has come under significant pressure this year, we expect the central bank to respond with a variety of policy tools. This would limit the drain on foreign exchange reserves.

We expect the government to remain committed to the fiscal rule to keep deficits below 3% of GDP, despite higher energy costs. While it appears to have largely secured sufficient fuel supply, including by diverting oil and gas exports for domestic use, energy import costs have spiked. This will increase compensation and subsidy payout to keep subsidized fuel prices unchanged. The government is also likely to roll out further economic stimulus if higher prices and interest rates continue to hurt the domestic economy.

To keep deficits under 3% of GDP, the government plans to cut spending on other items such as the free nutritious meal program. We expect the initial budget of more than 300 trillion rupiah for this program to be cut by around a third. The savings will likely come from changes to the program parameters, enhancing efficiency, and tightening supervision.

We also expect revenue growth to provide additional space to increase spending. Revenue rose 21% in the first six months of this year compared to a year ago. The recovery reflects the dissipation of idiosyncratic factors that affected revenue collection in 2025. These included the bumpy rollout of the core tax administration system and higher value-added tax refunds for the export sector due to a historical build-up. Nontax revenue, particularly royalties and levies on the resource sector, is also recovering strongly due to the general increase in commodity prices.

On balance, we expect the fiscal deficit to remain just under 3% of GDP this year. A record of fiscal discipline over multiple administrations underpins Indonesia's credit profile. So far this year, the government has repeatedly expressed its commitment to the longstanding deficit ceiling of 3% of GDP. This was codified in law in 2003.

Even though the fiscal deficit remains under control, the pressure on the government’s debt repayment (interest payment over government revenue) remains high. This is due to faster debt accumulation during the pandemic when the fiscal rule was suspended, and weak revenue growth in the past two years. An increase in government bond yields and rupiah depreciation will also keep this ratio high for the rest of the year, in our view.

Improvements in this ratio could hinge on sustainable revenue growth over the next two to three years and the success of government initiatives to broaden the revenue base. Several policies introduced in the mineral and resource sector such as changes to royalties, production quotas, and the establishment of DSI aim to increase revenue collection.

While short lead times, uncertainties over the preparedness of systems and processes, and other implementation risks could affect the effectiveness of these policies, execution challenges could peak over the next six to 12 months. We see a greater likelihood that revenue from this sector will increase over the next three years, barring a sharp collapse in commodity prices. Longer-term demand for crucial commodities like coal, crude palm oil, and nickel will likely drive investment and earnings in this sector.

We expect net general government debt to increase annually by about 2.9% of GDP in 2026-2029. The interest-to-revenue ratio could remain above 15% in 2026-2027, before falling below 15% again as interest rate falls and revenue growth picks up. Based on the above assumptions, net general government debt could rise to 37.4% of GDP at end-2029 from 36.4% in 2024.

We expect limited contingent liabilities for the government from the financial system. We base this on our assessment of Indonesia's banking industry country risk at '5' and the banking sector's balance sheet size at less than 60% of GDP. We also expect limited contingent liabilities from state-owned enterprises (SOEs) and do not consolidate the debt of the SOEs and Danantara with government debt. This is given a low likelihood of such debt crystallizing on the government’s balance sheet.

Indonesia's external metrics are deteriorating due to rapidly rising import costs and pressure on the rupiah. We estimate the current account deficit could widen to 2.1% of GDP in 2026 because the goods trade balance flipped to a deficit in May.

The higher import bill and the central bank's intervention to prop up the currency have also increased gross external financing needs as a share of the sum of current account receipts and usable reserves. We project this ratio will rise to 98.9% in 2026 from 92.9% in 2025. With the government's continued push for downstreaming and measures to increase export earnings, the ratio could gradually improve over the next three years to around 96.1% in 2029.

Narrow net external debt could average 69.1% of current account receipts over 2026-2029. Since 2022, gross external debt has declined sharply due to the net repayment of foreign debts by nongovernment borrowers as global interest rates rose and the U.S. dollar strengthened.

We view Bank Indonesia (BI) as possessing a level of operational independence since July 2005, when it formally adopted the inflation-targeting framework. Its independence is roughly in line with regional peers. BI has contained price pressures generally well since the early 2010s. A recent move by the government to expand BI's official mandate through legislative changes should not drastically affect its operational independence, in our view. The central bank aggressively raised rates in June 2026 to counter pressure on the rupiah despite a dampening impact on growth.

BI is relying more on market-based instruments to implement its monetary policy, and the financial system has grown steadily in recent years. The increasing flexibility of the rupiah and a floating currency subject to intermittent intervention augment monetary flexibility.

BI maintains a sizable portfolio of government debt on its balance sheet. This is in part a legacy of its burden-sharing agreement with the government during the pandemic. While some of this debt will mature over the next three years, we do not expect a paring down of BI's balance sheet. The central bank continues to step up purchases of government securities in the secondary market as part of its stated pro-market monetary operations strategy to maintain adequate liquidity and attract foreign capital inflows.

Indonesia--Selected Indicators

	2020	2021	2022	2023	2024	2025	2026bc	2027bc	2028bc	2029bc
Economic indicators (%)										
Nominal GDP (tril. IDR)	15,443.4	16,976.8	19,588.1	20,892.4	22,139.0	23,821.1	25,807.7	27,727.0	29,839.6	32,073.1
Nominal GDP (bil. $)	1,059.1	1,186.5	1,319.1	1,371.2	1,396.3	1,445.6	1,476.9	1,582.1	1,705.1	1,832.8
GDP per capita (000s $)	3.9	4.3	4.8	4.9	5.0	5.1	5.2	5.5	5.9	6.3
Real GDP growth	(2.1)	3.7	5.3	5.1	5.0	5.1	5.1	4.9	4.9	4.8
Real GDP per capita growth	(3.1)	3.0	4.5	4.2	4.2	4.3	4.3	4.2	4.2	4.1
Real investment growth	(5.0)	3.8	3.9	4.4	4.0	5.1	5.4	4.9	4.7	5.0
Investment/GDP	29.7	32.5	35.7	36.0	35.1	34.9	36.4	36.1	35.7	35.3
Savings/GDP	29.3	32.8	36.7	35.8	34.5	34.8	34.2	34.5	34.5	34.6
Exports/GDP	17.3	21.4	24.5	21.8	22.2	22.9	23.1	23.5	23.6	23.8
Real exports growth	(8.4)	18.0	16.2	1.3	6.5	7.8	5.1	5.2	4.5	4.6

Indonesia--Selected Indicators

Unemployment rate	7.1	6.5	5.9	5.3	4.9	4.9	4.7	4.7	4.7	4.7
External indicators (%)										
Current account balance/GDP	(0.4)	0.3	1.0	(0.2)	(0.6)	(0.1)	(2.2)	(1.7)	(1.2)	(0.7)
Current account balance/CARs	(2.3)	1.3	3.9	(0.7)	(2.6)	(0.4)	(8.9)	(6.8)	(5.0)	(3.0)
CARs/GDP	18.3	22.3	25.6	22.9	23.6	24.3	24.0	24.4	24.4	24.5
Trade balance/GDP	2.7	3.7	4.8	3.4	2.9	3.5	2.2	2.6	2.9	3.2
Net FDI/GDP	1.3	1.5	1.4	1.1	1.1	1.0	1.3	1.3	1.3	1.3
Net portfolio equity inflow/GDP	(0.5)	0.2	(0.1)	(0.1)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
Gross external financing needs/CARs plus usable reserves	89.8	87.4	86.3	91.8	93.4	92.9	98.9	98.2	97.3	96.1
Narrow net external debt/CARs	132.6	90.4	66.4	71.9	71.0	67.2	71.1	66.7	63.0	59.6
Narrow net external debt/CAPs	129.6	91.6	69.1	71.5	69.2	66.9	65.3	62.4	60.0	57.9
Net external liabilities/CARs	164.3	117.3	84.1	93.2	85.6	88.7	95.2	90.9	87.5	84.4
Net external liabilities/CAPs	160.7	118.8	87.5	92.6	83.4	88.3	87.3	85.1	83.3	81.9
Short-term external debt by remaining maturity/CARs	45.2	33.0	27.2	28.9	28.3	30.0	29.7	25.5	24.2	23.1
Usable reserves/CAPs (months)	7.5	6.2	5.4	4.9	4.7	4.8	4.4	3.9	3.8	3.6
Usable reserves (bil. $)	134.1	144.6	129.6	132.4	141.7	142.4	133.6	136.8	140.2	143.9
Fiscal indicators (general government %)										
Balance/GDP	(6.1)	(4.4)	(2.3)	(1.6)	(2.3)	(2.9)	(2.9)	(2.9)	(2.9)	(2.9)
Change in net debt/GDP	7.4	5.1	3.7	1.7	2.4	2.9	3.1	2.8	2.8	2.9
Primary balance/GDP	(4.0)	(2.4)	(0.3)	0.5	(0.1)	(0.7)	(0.6)	(0.6)	(0.7)	(0.7)
Revenue/GDP	12.4	13.7	15.0	15.0	14.6	13.7	14.7	14.9	15.1	15.2
Expenditures/GDP	18.4	18.1	17.3	16.6	16.9	16.6	17.6	17.8	18.0	18.1
Interest/revenues	16.5	14.8	13.2	14.0	15.1	16.1	15.7	15.2	14.5	14.2
Debt/GDP	39.8	41.1	40.1	39.6	40.2	40.9	40.6	40.7	40.7	40.8
Debt/revenues	321.8	299.9	268.5	264.1	275.4	298.4	276.4	273.3	269.8	268.4
Net debt/GDP	35.7	37.6	36.2	35.7	36.0	36.4	36.7	36.9	37.0	37.4
Liquid assets/GDP	4.0	3.6	3.9	3.9	4.1	4.5	4.0	3.8	3.7	3.4
Monetary indicators (%)										

Indonesia--Selected Indicators

CPI growth	1.7	1.9	5.5	2.6	1.6	2.9	3.2	2.9	2.6	2.6
GDP deflator growth	(0.4)	6.0	9.6	1.5	0.9	2.4	3.1	2.4	2.6	2.6
Exchange rate, year-end (IDR/$)	14,105.0	14,269.0	15,731.0	15,416.0	16,162.0	16,782.0	17,700.0	17,500.0	17,500.0	17,500.0
Banks' claims on resident non-gov't sector growth	(1.2)	4.6	10.1	8.3	7.6	9.4	10.0	10.0	10.0	10.0
Banks' claims on resident non-gov't sector/GDP	36.2	34.4	32.8	33.3	33.8	34.4	34.9	35.8	36.5	37.4
Foreign currency share of claims by banks on residents	11.8	11.8	12.4	12.2	12.5	12.4	12	12	12	12
Foreign currency share of residents' bank deposits	13.9	14.0	15.6	16.1	15.7	15.1	15	15	15	15
Real effective exchange rate growth	(1.8)	(1.5)	2.9	(0.2)	(0.8)	(6.2)	-6.21	-6.21	-6.21	-6.21

Sources: Bank Sentral Republik Indonesia (Economic/External Indicators), Internationl Monetary Fund and Bank Sentral Republik Indonesia (Monetary Indicators), Directorate General of Budget Financing and Risk Management, Ministry of Finance and Bank Sentral Republik Indonesia (Fiscal/Debt Indicators).

Adjustments: None

Definitions: Savings is defined as investment plus the current account surplus (deficit). Investment is defined as expenditure on capital goods, including plant, equipment, and housing, plus the change in inventories. Banks are other depository corporations other than the central bank, whose liabilities are included in the national definition of broad money. Gross external financing needs are defined as current account payments plus short-term external debt at the end of the prior year plus nonresident deposits at the end of the prior year plus long-term external debt maturing within the year. Narrow net external debt is defined as the stock of foreign and local currency public- and private- sector borrowings from nonresidents minus official reserves minus public-sector liquid claims on nonresidents minus financial-sector loans to, deposits with, or investments in nonresident entities. A negative number indicates net external lending. IDR--Indonesian rupiah. CARs--Current account receipts. FDI--Foreign direct investment. CAPs--Current account payments. The data and ratios above result from S&P Global Ratings' own calculations, drawing on national as well as international sources, reflecting S&P Global Ratings' independent view on the timeliness, coverage, accuracy, credibility, and usability of available information.

Country--Rating Component Scores

Key rating factors	Score	Explanation
Institutional assessment	3	Generally effective policymaking promoting balanced economic growth and sustainable public finances. Moderate policy predictability, with possible policy shifts with changes in administration. Generally cohesive civil society.
Economic assessment	4	Based on GDP per capita (US$) and growth trends as per Selected Indicators in table 1. Weighted average real GDP per capita trend growth over a 10-year period is well above that of sovereigns in the same GDP category.
External assessment	3	Based on narrow net external debt (% of current account receipts) and gross external financing needs (% of current account receipts and usable reserves) as per the Selected Indicators in table 1.
Fiscal assessment: flexibility and performance	3	Based on the change in net general government debt (% of GDP) as per Selected Indicators in table 1.
Fiscal assessment: debt burden	4	Based on net general government debt (% of GDP) and general government interest expenditure (% of

Country--Rating Component Scores

Key rating factors	Score	Explanation
		general government revenue) as per Selected Indicators in table 1.
Monetary assessment	3	The rupiah is a free-floating currency, although the central bank intervenes intermittently in foreign exchange markets. The central bank has operational independence and uses market-based monetary instruments such as seven-day repo rate. However, there is some reliance on reserve requirements. CPI as per Selected Indicators in table 1. The central bank has the ability to act as lender of last resort for the financial system.
Indicative rating	bbb	As per table 1 of Sovereign Rating Methodology.
Notches of supplemental adjustments and flexibility	0	
Final rating		
Foreign currency	BBB	
Notches of uplift	0	Default risks do not apply differently to foreign- and local-currency debt.
Local currency	BBB	

S&P Global Ratings' analysis of sovereign creditworthiness rests on its assessment and scoring of five key rating factors: (i) institutional assessment; (ii) economic assessment; (iii) external assessment; (iv) the average of fiscal flexibility and performance, and debt burden; and (v) monetary assessment. Each of the factors is assessed on a continuum spanning from 1 (strongest) to 6 (weakest). S&P Global Ratings' "Sovereign Rating Methodology," published on Dec. 18, 2017, details how we derive and combine the scores and then derive the sovereign foreign currency rating. In accordance with S&P Global Ratings' sovereign ratings methodology, a change in score does not in all cases lead to a change in the rating, nor is a change in the rating necessarily predicated on changes in one or more of the scores. In determining the final rating the committee can make use of the flexibility afforded by §15 and §§126-128 of the rating methodology.

Related Criteria

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- Criteria | Governments | Sovereigns: Sovereign Rating Methodology, Dec. 18, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Methodology For Rating Sukuk, Jan. 19, 2015
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011
- General Criteria: Methodology: Criteria For Determining Transfer And Convertibility Assessments, May 18, 2009

Related Research

- Sovereign Ratings History, June 10, 2026
- Sovereign Ratings List, June 10, 2026
- Sovereign Ratings Score Snapshot, June 4, 2026
- Global Sovereign Rating Trends First-Quarter 2026, April 28, 2026
- Sovereign Risk Indicators, April 13, 2026 (an interactive version can be found at www.spglobal.com/ratings/sri)

- Default, Transition, and Recovery: 2025 Annual Global Sovereign Default And Rating Transition Study, March 4, 2026
- Asia-Pacific Sovereign Rating Trends 2026: Balancing Act Continues, Feb. 3, 2026

In accordance with our relevant policies and procedures, the Rating Committee was composed of analysts that are qualified to vote in the committee, with sufficient experience to convey the appropriate level of knowledge and understanding of the methodology applicable (see "Related Criteria"). At the onset of the committee, the chair confirmed that the information provided to the Rating Committee by the primary analyst had been distributed in a timely manner and was sufficient for Committee members to make an informed decision.

After the primary analyst gave opening remarks and explained the recommendation, the Committee discussed key rating factors and critical issues in accordance with the relevant criteria. Qualitative and quantitative risk factors were considered and discussed, looking at track-record and forecasts.

The committee's assessment of the key rating factors is reflected in the Rating Component Scores above.

The chair ensured every voting member was given the opportunity to articulate his/her opinion. The chair or designee reviewed the draft report to ensure consistency with the Committee decision. The views and the decision of the rating committee are summarized in the above rationale and outlook. The weighting of all rating factors is described in the methodology used in this rating action (see "Related Criteria").

Ratings List

Ratings List	
Ratings Affirmed	
Indonesia	
Sovereign Credit Rating	BBB/Stable/A-2
Foreign Currency	BBB/Stable/A-2
Transfer & Convertibility Assessment	
Local Currency	BBB+
Indonesia	
Perusahaan Penerbit SBSN Indonesia III	
Senior Unsecured	BBB