

INDONESIA

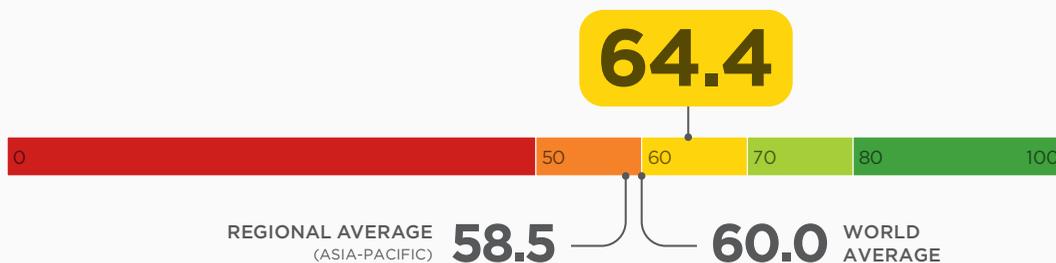
WORLD RANK: **63** | REGIONAL RANK: **10**
 ECONOMIC FREEDOM STATUS:
MODERATELY FREE

Indonesia's economic freedom score is 64.4, making its economy the 63rd freest in the 2022 *Index*. Indonesia is ranked 10th among 39 countries in the Asia-Pacific region, and its overall score is above the regional and world averages.

Indonesia's economy was growing from 2017 through 2019 before a downturn in 2020. A recovery in 2021 pulled the five-year average annual growth rate to 3.6 percent. Economic freedom in Indonesia climbed from 2017 until 2020. Although the downward slide that began in 2020 continues this year, the overall expansion of economic freedom over the past five years is still positive. With score increases in **business freedom** and **labor freedom**, Indonesia has recorded a 2.5-point overall gain of economic freedom since 2017 and remains in the middle ranks of the "Moderately Free" countries. The weight of **government spending** on the economy is light, but rule of law is relatively weak.

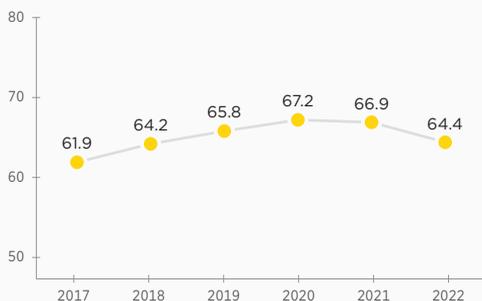
IMPACT OF COVID-19: As of December 1, 2021, 143,840 deaths had been attributed to the pandemic in Indonesia, and the government's response to the crisis ranked 32nd among the countries included in this *Index* in terms of its stringency. The economy contracted by 2.1 percent in 2020.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +9.5

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
273.5 million

GDP (PPP):
\$3.3 trillion
-2.1% growth in 2020
5-year compound annual growth 3.6%
\$12,222 per capita

UNEMPLOYMENT:
4.1%

INFLATION (CPI):
2.0%

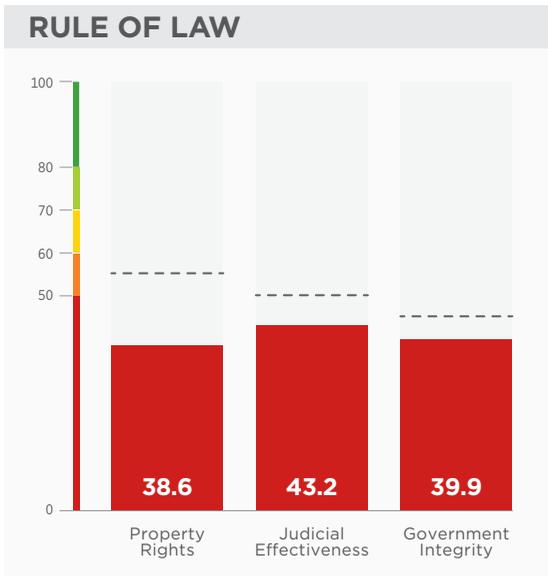
FDI INFLOW:
\$18.6 billion

PUBLIC DEBT:
36.6% of GDP

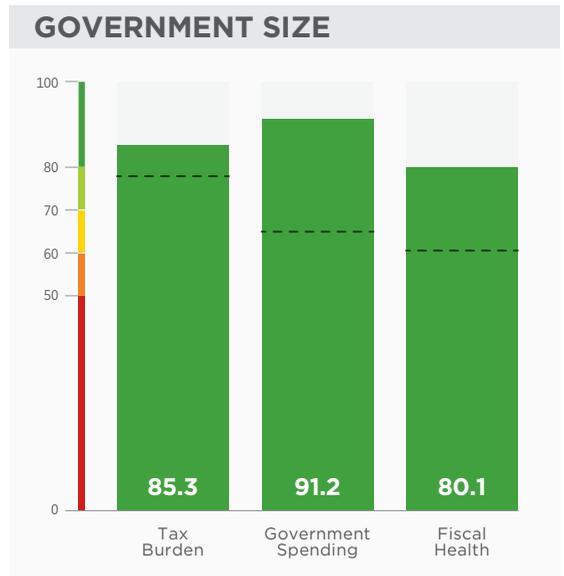
2020 data unless otherwise noted. Data compiled as of September 2021

BACKGROUND: Indonesia is the world's most populous Muslim-majority country. Since the departure of long-serving authoritarian ruler General Suharto in 1998, Indonesians have enjoyed a wide range of political freedoms. Joko Widodo, former businessman and governor of Jakarta, won a five-year presidential term in 2014 and was reelected in 2019. Indonesia is Southeast Asia's largest economy. Key exports include mineral fuels, animal and vegetable fat, electrical machinery, rubber, machinery, and parts for mechanical appliances. Continued improvements in infrastructure should help to reduce high transport and logistical costs. Indonesia's significant untapped maritime resources could facilitate future development, but barriers to international trade and investment undermine prospects for growth.

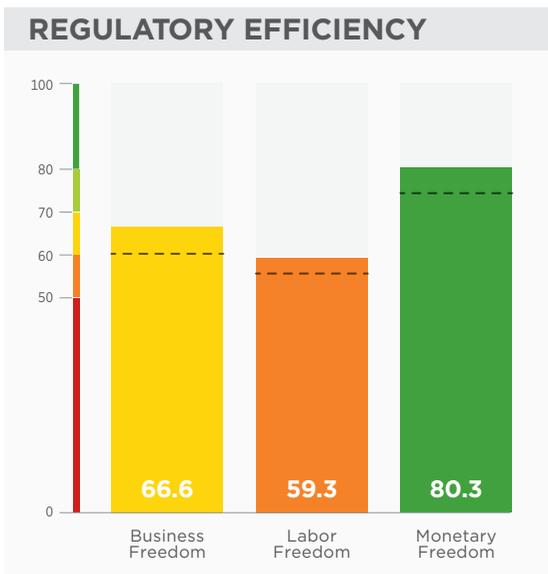
12 ECONOMIC FREEDOMS | INDONESIA



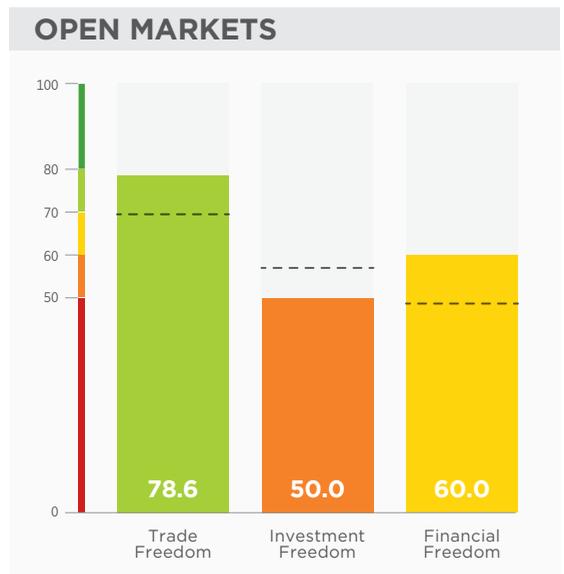
Ownership of private property is recognized by law, but enforcement is uneven, and registration of property is sometimes difficult. Indonesia has lacked clear land titles for decades. The judiciary is independent, but the court system is still undermined by corruption and other weaknesses. Corruption is endemic at all levels of government and law enforcement, and the public's perception of it has increased.



The top individual income tax rate is 30 percent, and the top corporate tax rate has been cut to 22 percent. Other taxes include property and value-added taxes. The overall tax burden equals 9.5 percent of total domestic income. Government spending has amounted to 17.1 percent of total output (GDP) over the past three years, and budget deficits have averaged 3.3 percent of GDP. Public debt is equivalent to 36.6 percent of GDP.



The 2020 Omnibus Bill aims to lower corporate taxes, reform rigid labor laws, simplify business licenses, and cut bureaucratic obstructions. The amount of severance pay mandated by law has been reduced, and sectoral minimum wages have been abolished. The government has increased subsidies for palm oil biodiesel production but has made progress on privatizing state-owned enterprises.



Indonesia has 12 preferential trade agreements in force. The trade-weighted average tariff rate is 5.7 percent, and 127 nontariff measures are in effect. The government has moved to dismantle some of Indonesia's previously imposed barriers to foreign investment. Overall, the financial system's efficiency has increased. The state still owns several banks. Bank ownership is limited to no more than 40 percent per single shareholder.