



WORLD RANK: **60**

REGIONAL RANK: **10**

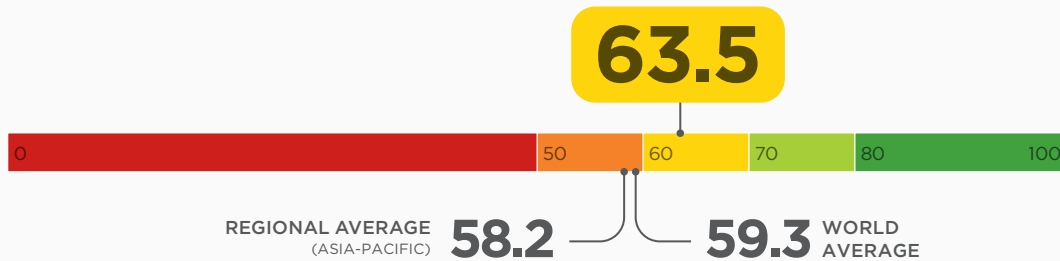
ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

# INDONESIA

Indonesia's economic freedom score is 63.5, making its economy the 60th freest in the 2023 *Index*. Its score is 0.9 point lower than last year. Indonesia is ranked 10th out of 39 countries in the Asia-Pacific region, and its overall score is above the world and regional averages.

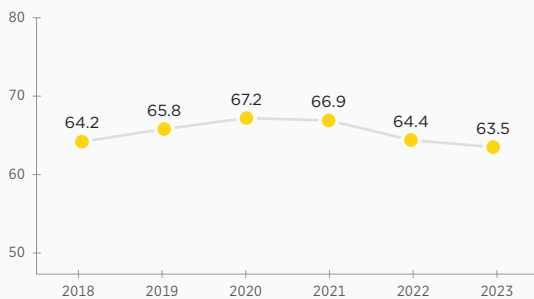
Indonesia has undertaken wide-ranging reforms to address various structural weaknesses in the economy and improve competitiveness. The economy has shown considerable resilience, weathering the global economic slowdown relatively well. Recent reforms have put greater emphasis on improving regulatory efficiency, enhancing regional competitiveness, and creating a more vibrant private sector through decentralization.

## ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +8.6

## RECENT FREEDOM TREND



## QUICK FACTS

**POPULATION:**  
276.4 million

**GDP (PPP):**  
\$3.6 trillion  
3.7% growth in 2021  
5-year compound annual growth 3.4%  
\$13,099 per capita

**UNEMPLOYMENT:**  
4.3%

**INFLATION (CPI):**  
1.6%

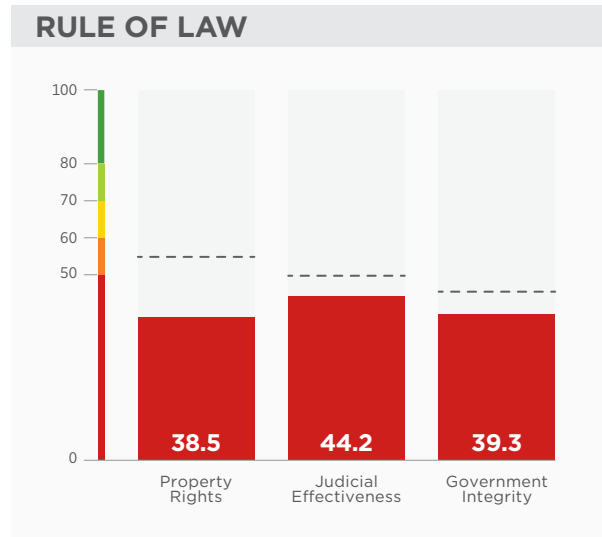
**FDI INFLOW:**  
\$20.1 billion

**PUBLIC DEBT:**  
41.2% of GDP

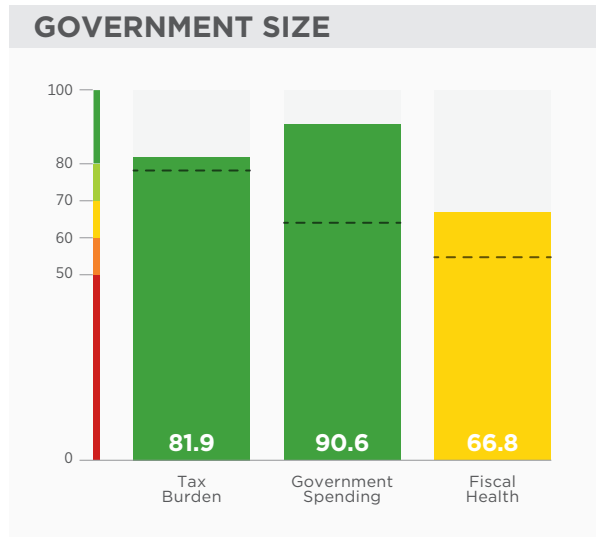
2021 data unless otherwise noted. Data compiled as of September 2022

**BACKGROUND:** Indonesia, the world's most populous Muslim-majority country, has become a democracy since the departure of authoritarian ruler General Suharto in 1998. Joko Widodo, former governor of Jakarta, was reelected to a second five-year presidential term 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. Infrastructure improvements should help to reduce high transport and logistical costs. Significant untapped maritime resources could facilitate development, but barriers to international trade and investment undermine prospects for growth. Rising food and fuel costs have led to popular discontent.

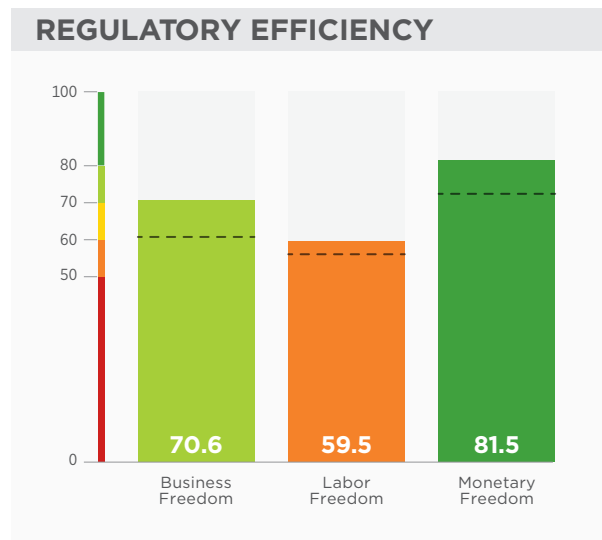
## 12 ECONOMIC FREEDOMS | INDONESIA



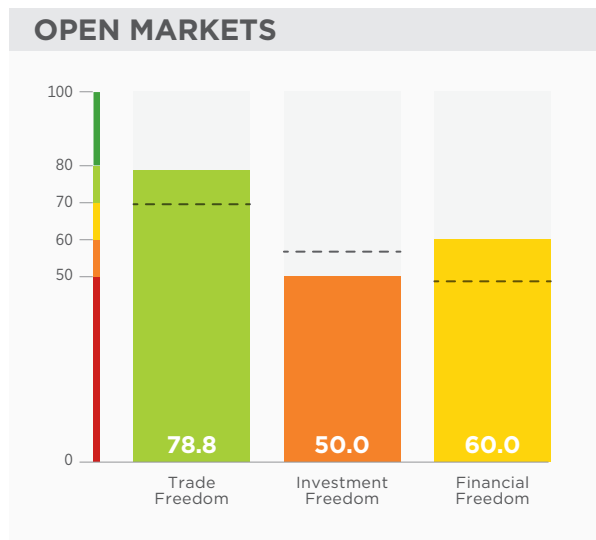
The overall rule of law is weak in Indonesia. The country's property rights score is below the world average; its judicial effectiveness score is below the world average; and its government integrity score is below the world average.



The top individual and corporate tax rates are, respectively, 35 percent and 22 percent. The tax burden equals 10.1 percent of GDP. Three-year government spending and budget balance averages are, respectively, 17.7 percent and -4.3 percent of GDP. Public debt equals 41.2 percent of GDP.



Despite simplified licensing requirements, overall regulatory efficiency is weak. Compared with other economies in the region, Indonesia's rigid labor market imposes regulatory costs on the creation and termination of employment relationships. Inflation has been modest, but government interference in the market distorts prices.



The trade-weighted average tariff rate is 5.6 percent, and more than 100 nontariff measures are in force. The government has moved to dismantle some of its previously imposed barriers to foreign investment. The financial system's overall efficiency has increased. The state still owns several banks.