

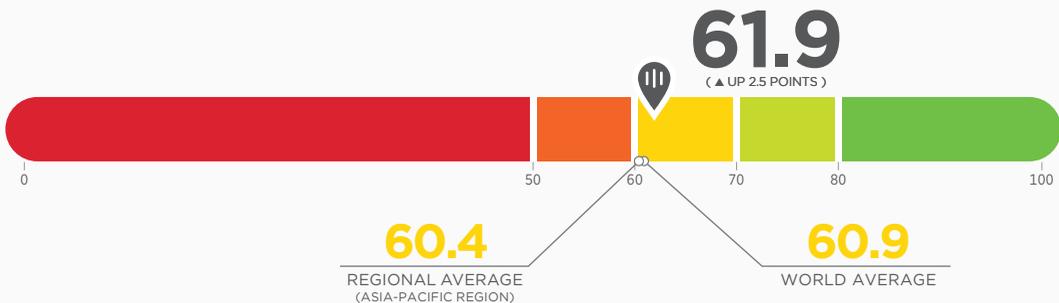
INDONESIA

WORLD RANK: **84** | REGIONAL RANK: **18**
 ECONOMIC FREEDOM STATUS:
MODERATELY FREE

Indonesia's reform-minded government has undertaken some necessary structural adjustments with a focus on stamping out corruption, better managing public finance, and improving the business environment. Fuel subsidies have been cut dramatically in an effort to narrow fiscal deficits. The administration has also moved to dismantle some of the barriers that had been imposed on foreign investment.

Despite this progress, however, lingering institutional shortcomings continue to undercut momentum for more dynamic economic development. In the absence of a well-functioning legal and regulatory framework, corruption remains a serious impediment to the emergence of a more dynamic private sector. The state's presence in the economy remains extensive through state-owned enterprises.

ECONOMIC FREEDOM SCORE



NOTABLE SUCCESSES:
 Trade Freedom and Monetary Stability

CONCERNS:
 Rule of Law, Investment Freedom, and Labor Freedom

OVERALL SCORE CHANGE SINCE 2013:
 +5.0

FREEDOM TREND



QUICK FACTS

POPULATION:
 255.1 million

GDP (PPP):
 \$2.8 trillion
 4.8% growth in 2015
 5-year compound annual growth 5.5%
 \$11,126 per capita

UNEMPLOYMENT:
 5.8%

INFLATION (CPI):
 6.4%

FDI INFLOW:
 \$15.5 billion

PUBLIC DEBT:
 27.3% of GDP

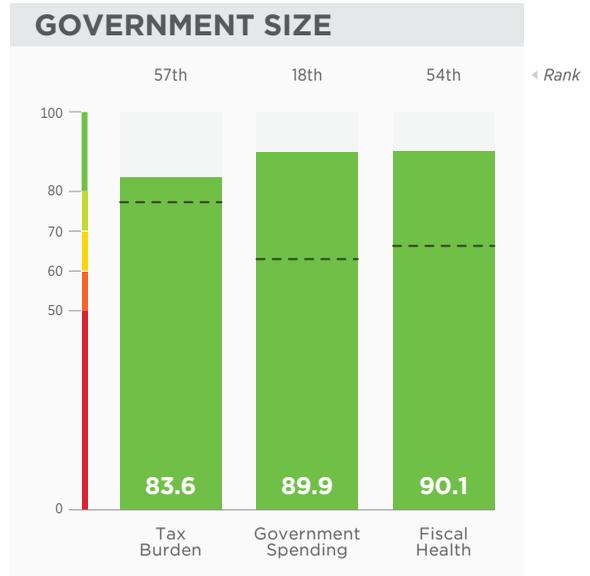
2015 data unless otherwise noted. Data compiled as of September 2016

BACKGROUND: Indonesia is the world's most populous Muslim-majority democracy. Since 1998, when long-serving authoritarian ruler General Suharto stepped down, Indonesia's 250 million people have enjoyed a widening range of political freedoms, and participation in the political process is high. Joko Widodo, former businessman and governor of Jakarta, won a tight race for the presidency in 2014, pledging to end corruption and promote economic reform. As a member of the G20 and a driving force within the Association of Southeast Asian Nations, Indonesia plays a growing role at the multilateral level.

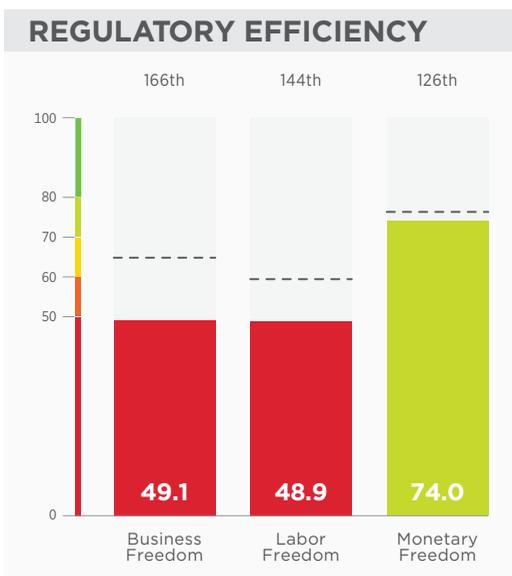
12 ECONOMIC FREEDOMS | INDONESIA



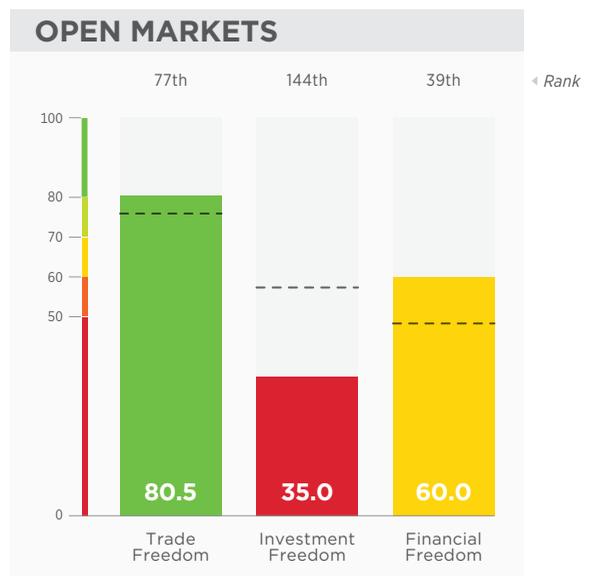
Property rights are generally respected, but enforcement is inefficient and uneven, and registering property can be difficult. The judiciary has demonstrated independence in some cases, but the court system remains plagued by corruption and other weaknesses. The World Economic Forum's *Global Competitiveness Index* reports that anticorruption efforts are nevertheless paying off, with Indonesia improving on almost all measures related to bribery and ethics.



The top individual income tax rate is 30 percent, and the top corporate tax rate is 25 percent. Other taxes include a value-added tax and a property tax. The overall tax burden equals 10.9 percent of total domestic income. Government spending has amounted to 18.4 percent of total output (GDP) over the past three years, and budget deficits have averaged 2.3 percent of GDP. Public debt is equivalent to 27.3 percent of GDP.



Indonesia's overall regulatory environment has improved over the years, but more commitment to reform is necessary to boost private investment and increase employment opportunities. The IMF commended Indonesia in 2016 for a "very successful" fuel subsidy reform that "serves as a model for other countries." Government energy subsidies are provided now only to the poorest consumers.



Trade is moderately important to Indonesia's economy; the value of exports and imports taken together equals 42 percent of GDP. The average applied tariff rate is 2.3 percent. Foreign investment in several sectors of the economy is restricted, and state-owned enterprises distort the economy. Overall, banking supervision has been strengthened, and the efficiency of the system has increased. The state still owns a number of banks.