

INDONESIA

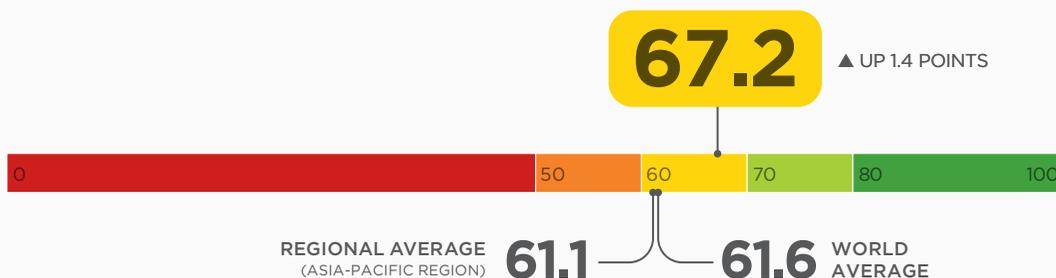
WORLD RANK: **54** | REGIONAL RANK: **12**
ECONOMIC FREEDOM STATUS:
MODERATELY FREE

Indonesia's economic freedom score is 67.2, making its economy the 54th freest in the 2020 *Index*. Its overall score has increased by 1.4 points, primarily because of a higher **property rights** score. Indonesia is ranked 12th among 42 countries in the Asia-Pacific region, and its overall score is well above the regional and world averages.

The Indonesian economy has been climbing steadily higher in the ranks of the moderately free since 2017. GDP growth has moved up sharply as well during the past five years.

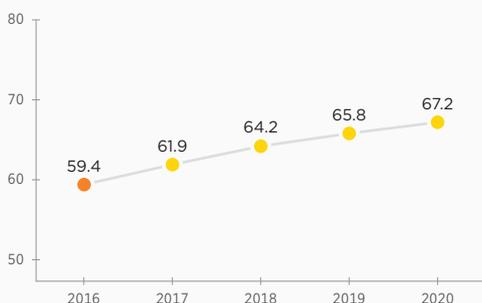
The second Widodo administration is expected to continue efforts to encourage more private investment in infrastructure and manufacturing. The government can take long strides toward achieving that goal by reducing corruption, modernizing and simplifying investment regulations, and ensuring that labor market controls (such as minimum wages) do not arbitrarily stifle employment growth.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +12.3

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
264.2 million

GDP (PPP):
\$3.5 trillion
5.2% growth in 2018
5-year compound annual growth 5.0%
\$13,230 per capita

UNEMPLOYMENT:
4.3%

INFLATION (CPI):
3.2%

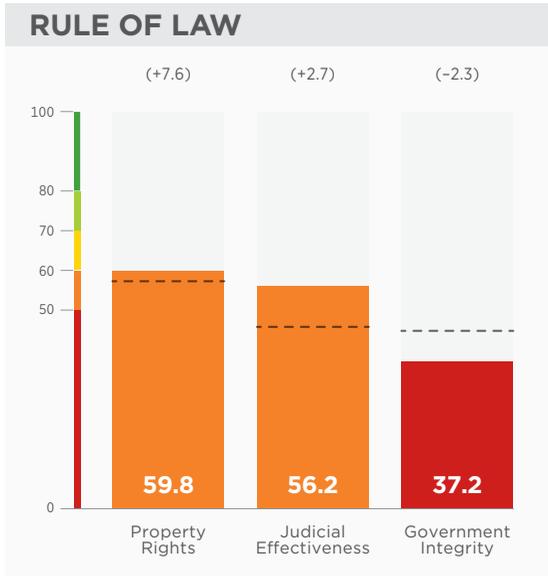
FDI INFLOW:
\$22.0 billion

PUBLIC DEBT:
29.2% of GDP

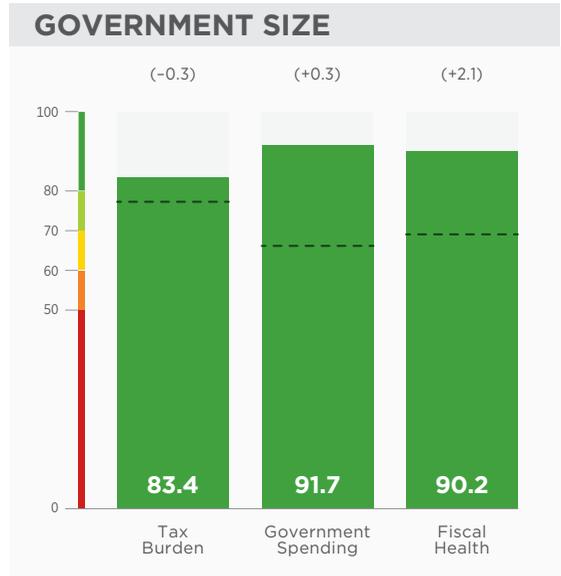
2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Indonesia is the world's most populous Muslim-majority country. Since 1998, when long-serving authoritarian ruler General Suharto stepped down, Indonesia's 262 million people have enjoyed a wide range of political freedoms, and participation in the political process is high. 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 mechanical appliance parts. Continued improvements in infrastructure should help to reduce high transport and logistical costs. Indonesia's significant untapped maritime resources could spur future development, but barriers to international trade and investment undermine prospects for growth.

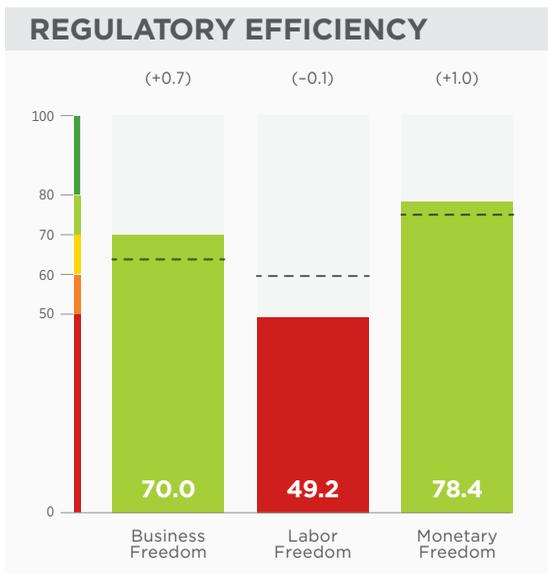
12 ECONOMIC FREEDOMS | INDONESIA



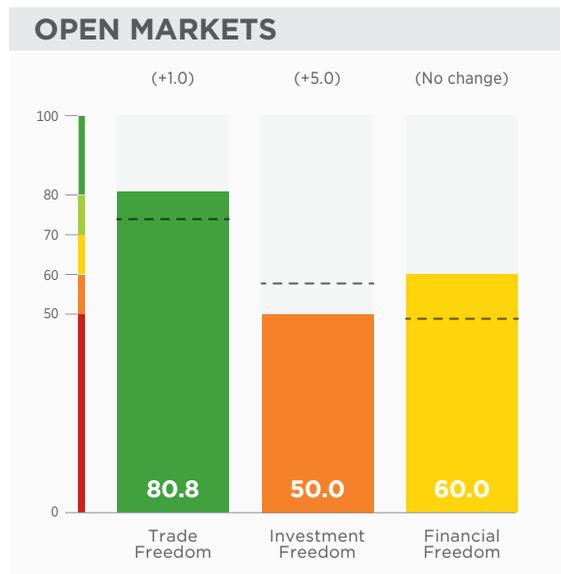
Private ownership of land is recognized, although property registration, as a result of decentralization, is sometimes complicated by local government requirements and claims. The judiciary has demonstrated some independence, but the court system remains plagued by corruption and other weaknesses. Corruption remains endemic at all levels, including in national and local legislatures, the civil service, the judiciary, and the police.



The top individual income tax rate is 30 percent, and the top corporate tax rate is 25 percent. Other taxes include value-added and property taxes. The overall tax burden equals 11.5 percent of total domestic income. Government spending has amounted to 16.7 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 2.2 percent of GDP. Public debt is equivalent to 29.2 percent of GDP.



Indonesia has made it easier to start a business, register property, and obtain credit, but businesses complain that the government changes rules affecting them without notice and without consultation. Its labor laws are more complicated than labor laws in other Asian countries and hurt competitiveness. The government has tightened energy subsidies, replacing the indirect liquefied petroleum gas subsidy with a targeted direct payment scheme.



The total value of exports and imports of goods and services equals 43.0 percent of GDP. The average applied tariff rate is 2.1 percent, and 112 nontariff measures are in force. Although Indonesia publicly welcomes foreign investment, investors face hurdles because of lingering inconsistencies in the investment codes. The financial sector is dominated by commercial banks that include state-owned banks. Capital markets are not fully developed.