

Economic & Capital Market Outlook 2025 Key Takeaways

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Indonesia's Economic Prospects: Seizing Opportunities Amid Global Challenges

INDONESIA'S STOCK MARKET SHOWS RESILIENCE IN 2024. The Indonesian stock market has demonstrated strong performance in 2024, with an average daily transaction value of IDR 12 trillion, marking a 20% YoY increase. The market also boasts 14 million investors, foreign fund inflows of IDR 20 trillion YTD, and a total market capitalization of IDR 13,000 trillion, with 942 publicly listed companies. These achievements underscore the market's growth and attractiveness, despite ongoing global economic uncertainties.

Geopolitical Challenges and Economic Opportunities: Indonesia's Path Forward

GEOPOLITICAL RISKS AND IMPACT ON GLOBAL ECONOMY. Geopolitical tensions, including conflicts in Taiwan, the South China Sea, and the Middle East, are disrupting global trade (demonstrated by the falling Suez Canal traffic due to incidents off the coast of Yemen while global container freight index soared), inflating costs, and raising logistics risks. These tensions foster pessimism, lower consumer confidence, and increase uncertainty in international policies and markets. As political risks rise, the growing volatility could signal deeper shifts in global dynamics, with strategic alliances further destabilizing supply chains.

US-CHINA RELATIONS AND IMPACT ON GLOBAL TRADE. The US-China relationship is as complex as ever. During the 2018 trade wars, tariffs pushed US imports of Chinese goods down, but non-tariffed goods kept soaring, showcasing the tangled economic relationship and complicated relationship. While there's competition, there's also cooperation, especially in areas like currency and tech advancements. However, both nations continue trying to outdo each other, highlighting ongoing tensions that affect global trade and geopolitics.

SLOWING IMPORT GROWTH AND FRAGMENTED GLOBAL SUPPLY CHAINS. Post-Global Financial Crisis, global import growth has slowed, and protectionism along with shifting trade patterns has fragmented supply chains. Countries are increasingly trading within regional blocs, intensifying competition for resources and technology. This growing fragmentation raises the question—are we heading for Cold War 2.0? If history has taught us anything, is when goods stop crossing borders, tanks will. Current geopolitical conflicts, such as trade wars and resource competition, echo pre-WWII trade slowdowns, with rising risks of open conflict and political shifts, potentially repeating past mistakes.

OPPORTUNITIES FOR INDONESIA IN THE UPCOMING YEARS. Despite missing out during the US-China trade war, Indonesia has a chance to strengthen its position in the global supply chain. The shift to a green economy and Indonesia's rich natural resources offer a competitive edge. Investing in resource-based manufacturing could boost exports. However, policy missteps remain a risk. Domestically, Prabowo's focus on self-sufficiency, regional cooperation, and supply chain improvements could create significant opportunities, positioning Indonesia as a key player in ASEAN and leveraging geopolitical shifts for regional economic integration.

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Indonesia's Economic Outlook: Navigating Global Challenges and Seizing Growth Opportunities in 2025

GLOBAL ECONOMIC CHALLENGES AND OPPORTUNITIES. In 2024, the global economy faces a mix of challenges, including slower interest rate cuts by the US Federal Reserve and geopolitical tensions affecting trade and supply chains. These issues contribute to economic uncertainty, with developing nations like Indonesia also impacted by rising competition from emerging markets and fragmented trade, especially in the context of deglobalization.

INDONESIA'S ECONOMIC OUTLOOK, OPPORTUNITIES, AND KEY RISKS. Despite global challenges, Indonesia's economy continues to grow, supported by stable fiscal policies, strong domestic demand, and favorable development programs. Key sectors like services, transportation, and food & beverages are rebounding, achieving the highest 3Q24 growth in GDP (9.95%, 8.64%, 8.33% respectively) and positioning Indonesia to benefit from growth in economies like China and India. However, risks from falling commodity prices, high global interest rates, and geopolitical instability could limit growth. While FMCG, utilities, and government services remain resilient, export-oriented industries like textiles and electronics face challenges from declining demand, rising costs, and the impact of the minimum wage increase.

ACHIEVING GDP GROWTH TARGET AND CONSUMER CONFIDENCE. Achieving an 8% GDP growth target in 2024 is challenging, with limited impact from government initiatives. Consumer confidence is weakening, especially among lower-income groups, as they rely more on savings, as shown by the falling number of bank accounts with balance less than IDR 100 mn compared to other bank accounts (from 16.49% in 2011 to 12.07% in Sep 2024). Early signs of reduced spending during holidays as gauged by Mandiri Spendix Index suggest potential strain on economic growth, making year-end spending data crucial to gauge the trend.

Asia's Growth Divide: Indonesia's Slow Progress Amid Regional Prosperity

REGIONAL ECONOMIC AND EARNINGS GROWTH. Asia's economic growth in 2024-2025 is highly uneven, with North Asia and India leading, while Indonesia faces challenges. HSBC projects Indonesia's earnings growth at 0.4% in 2024 and 7% in 2025, significantly below the regional averages of 29% and 14%. This disparity highlights Indonesia's struggle to keep pace with the impressive growth in its regional peers.

NORTH ASIA AND INDIA'S GROWTH LEADERSHIP. North Asia, driven by China, Taiwan, and South Korea, is the dominant growth region. China's expansion benefits from its vast energy resources and technological advances, including the flourishing EV industry. Taiwan and South Korea see major gains from the AI and semiconductor boom, with TSMC's market dominance in Taiwan even raised concerns about over-concentration in its stock index. India, with its ambitious infrastructure projects, is the region's most compelling growth story, benefiting from surging domestic trade and increased logistics efficiency, which are fueling high earnings growth.

INDONESIA'S STRUGGLES AND INVESTMENT CHALLENGES. Indonesia, on the other hand, faces slow economic growth and capital outflows, stalling its market development. Despite being shielded from global tariff pressures due to its domestic focus, Indonesia is struggling to attract and retain foreign investment. Foreign funds have shifted towards China and reduced exposure to Taiwan, further hindering Indonesia's economic prospects.

GEOPOLITICAL RISKS AND THE BRICS FRAGMENTATION. Geopolitical factors further complicate the regional outlook. While China, India, and Indonesia benefit from their domestic focus, export-driven economies like South Korea and Taiwan are more vulnerable to global trade fluctuations. Additionally, the BRICS alliance shows signs of fragmentation, with internal conflicts—such as the border dispute between China and India—highlighting its limitations.

Our Take

Indonesia stands at a critical position as it faces both global challenges and domestic opportunities. Geopolitical tensions and global economic uncertainties, including trade wars and protectionism, may create volatility, yet also offer Indonesia the chance to reposition itself within the global supply chain, particularly by capitalizing on its abundant natural resources and its shift towards green energy.

PROS: Domestically, the country's economic growth rate lags behind its regional peers, but there are notable opportunities in sectors such as telecommunications, green energy, healthcare, and downstream mining.

CONS: However, challenges such as deindustrialization, low consumer confidence, and inefficiencies must be addressed to maintain momentum.


The government's development programs and investments in infrastructure are promising, yet significant efforts are needed to meet the ambitious GDP growth targets. Indonesia must focus on attracting foreign investment, improving business conditions, and leveraging its strategic position to navigate the increasingly fragmented global economy.




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