Indonesia Market Brief – June 2026

Indonesia is the largest economy in Southeast Asia and a market that is becoming increasingly difficult for Swedish industry to overlook. This report provides an overview of the country's macroeconomic outlook and highlights developments in selected sectors relevant to Swedish companies—from the energy transition and critical minerals to digital infrastructure, mobility, and consumer demand.

The report is based on political, market, and corporate developments observed during 2026 and is intended as a practical introduction to one of the world's most important emerging markets.

1. Macroeconomic Overview

Indonesia's economy continues to demonstrate resilience at a time characterized by geopolitical uncertainty and weaker global growth. The country has maintained annual growth of around 5 percent for more than a decade, making it one of the most consistently growing large economies in the world.

The outlook for 2026 remains positive. The International Monetary Fund (IMF) forecasts GDP growth of 5.1 percent, Bank Indonesia projects 5.3 percent, while the Ministry of Finance believes growth could approach 6 percent.

Macroeconomic fundamentals remain strong. Inflation remains within Bank Indonesia's target range of 2–3 percent, government debt is approximately 40 percent of GDP, and the budget deficit remains below the statutory limit of 3 percent. Indonesia's BBB sovereign credit rating was reaffirmed by S&P in 2026.

Growth continues to be supported by several long-term drivers: a population of approximately 285 million people, an expanding middle class, ongoing urbanization, and abundant natural resources. The country also continues to attract significant investment, particularly in mineral processing, batteries, energy, and industrial development.

Trade remains a key strength. Indonesia ended 2025 with its 68th consecutive monthly trade surplus and a total annual trade surplus of USD 41 billion. Manufacturing activity also continues to expand, with the Purchasing Managers' Index (PMI) reaching its highest level in nearly two years during the first months of 2026.

Despite these positive fundamentals, some warning signs remain. The rupiah has faced pressure against the U.S. dollar, while international portfolio investors have become increasingly cautious. Foreign ownership of government bonds has declined significantly since 2019, reflecting a global investment environment that places greater emphasis on stability and predictability. To support the currency, Bank Indonesia increased its benchmark interest rate to 5.25 percent during the first half of 2026.

Population	~280 million; large young and urbanizing middle class
GDP Growth Forecast	5.1% (IMF), 5.3% (Bank Indonesia), up to 6% (Ministry of Finance)
Sovereign Rating	S&P BBB / Stable Outlook)
Trade	USD 41 billion surplus in 2025; 68 consecutive monthly surpluses
Realized FDI (2025)	IDR 900.9 trillion (~USD 56 billion)
Total Investment (2025)	IDR 1,931 trillion (+12.7% YoY)
Manufacturing-PMI	52.6 in January 2026; highest level in nearly two years
Inflation	Fastest increase in almost three years in January 2026
Stock Market	IDX exceeded 8,900 in early 2026 before falling following MSCI transparency review

2. Energy and the Energy Transition

The energy sector is one of the most strategically important components of Indonesia’s economic development.

The government faces the complex challenge of ensuring energy security, supporting industrialization, and reducing dependence on fossil fuels simultaneously. Through the Just Energy

Transition Partnership (JETP), Indonesia has committed to increasing the share of renewable energy in its energy mix, and President Prabowo Subianto has made the energy transition a central component of his economic agenda.

Among the most ambitious initiatives is a target to develop 100 GW of solar power capacity, alongside major investments in electricity grids, energy storage, and modern energy infrastructure.

At the same time, energy demand continues to grow rapidly as a result of urbanization, industrial expansion, and the development of new data centers. Consequently, Indonesia's energy system is expected to rely on a combination of renewable energy, natural gas, and coal for many years to come.

Despite significant investments, renewable energy accounted for less than 16 percent of the national energy mix in 2025, highlighting the scale of the transition that still lies ahead.

Investment in oil, gas, and biofuels also continues. New gas discoveries offshore Kalimantan and the government's decision to open additional exploration blocks indicate that natural gas remains an important transition fuel. Interest in bioethanol and alternative fuels is also growing.

Examples of Developments During 2026

- President Prabowo launched a target of 100 GW of solar capacity through the Red and White Cooperatives program.
- State utility PLN is developing 21 solar projects with a combined capacity of 513 MWp, several incorporating battery storage.
- Eni announced the Geliga gas discovery offshore East Kalimantan, while the government opened ten new oil and gas blocks for investment.

3. Critical Minerals and Industrial Processing

Indonesia has established itself as a key player in the global energy transition through its extensive reserves of nickel, copper, cobalt, and bauxite — raw materials that are essential for battery production, electrification, and modern industry. As the world's largest producer of nickel, Indonesia holds a particularly strong position in global value chains for electric vehicles and energy storage.

The government's industrial policy is based on the principle of downstreaming, where a greater share of value creation is intended to take place domestically. Exports of unprocessed raw materials are restricted, while investment in smelters, refineries, battery plants, and industrial parks is encouraged. This has triggered a major investment wave in mineral processing and related industries, supported by both state initiatives and international capital.

During 2026, the government continues to prioritize strategic industrial projects through the investment fund Danantara. These initiatives cover areas ranging from metals and petrochemicals to batteries and energy-intensive manufacturing. The expansion of processing capacity is creating demand well beyond the mining sector, including in automation, process control, logistics, energy, and environmental technology.

Examples of Developments During 2026

- Six strategic downstream processing projects worth approximately USD 6 billion have received direct government support.
- Danantara is investing approximately USD 7 billion in industrial projects across 13 regions.
- Chandra Asri is expanding its petrochemical capacity with support from Danantara and the Indonesia Investment Authority.

4. Infrastructure, Urbanization, and the New Capital

Indonesia's continued urbanization and economic growth require substantial investment in transport, energy, and public infrastructure. The government views infrastructure as a central condition for strengthening national competitiveness, reducing logistics costs, and supporting more balanced regional development.

The new capital city, Nusantara, in Kalimantan is the most high-profile project, but it represents only one part of a much broader investment agenda. Ports, roads, railways, energy systems, and industrial zones are being developed across the country to support industrial expansion and improve connectivity between Indonesia's regions.

At the same time, the focus on sustainable urban development is increasing. Water supply, waste management, flood protection, and energy-efficient housing are becoming more important as cities continue to grow. The challenges associated with Jakarta's land subsidence and waste management illustrate the need for long-term investment in urban infrastructure.

Examples of Developments During 2026

- Nusantara has secured new investment from the United Arab Emirates.
- Jakarta's sea wall project is entering the implementation phase.
- Danantara is investing in waste-to-energy facilities and housing projects.

5. Digital Infrastructure and Semiconductors

The digital economy is one of Indonesia's fastest-growing sectors, and the country already has Southeast Asia's largest internet economy. Digitalization is viewed as a central driver of continued economic development, leading to extensive investment in data centers, telecommunications, cloud services, artificial intelligence, and digital infrastructure.

This development is driven both by a young, technology-oriented population and by industry's growing need for automation, connectivity, and data processing. E-commerce continues to expand, while companies and public authorities are investing in cybersecurity, industrial IT, and digital services. The development of data centers and digital infrastructure is regarded as a strategic priority to strengthen Indonesia's competitiveness and support continued industrialization.

At the same time, the government has launched a long-term initiative to build a domestic semiconductor ecosystem. The ambition is to develop local capabilities in design, development, and advanced electronics in order to reduce dependence on imported technology and strengthen Indonesia's position in the global value chains of the future. Batam is rapidly developing into a regional center for data centers and digital services, while Jakarta continues to dominate as the main market for technology companies and digital platforms.

Examples of Developments During 2026

- Batam continues to develop as a regional hub for data centers and digital infrastructure.
- Indonesia has allocated USD 125 million to build a domestic semiconductor ecosystem.
- A training program with Arm aims to educate 15,000 semiconductor engineers in areas such as automotive technology, IoT, and data centers.

6. Mobility and the Automotive Industry

Indonesia is rapidly developing into a regional center for electrified mobility. The country's large domestic market, extensive battery mineral resources, and ambition to build a complete electric vehicle value chain have attracted significant investment from both Asian and international players. The government views the automotive industry as a strategic sector and uses investment policy, industrial policy, and access to raw materials to strengthen Indonesia's position in the future of transport.

At the same time, the market is developing in two directions. Domestic vehicle sales are affected by interest rates and household purchasing power, while exports of vehicles continue to grow. The electrification of public transport, logistics, and commercial vehicles is expected to become one of the most important drivers of the sector's continued development in the coming years.

Indonesia's long-term objective is not only to serve as a market for electric vehicles, but to establish itself as a central player in the global value chain for batteries, components, and electrified transport solutions.

Examples of Developments During 2026

- Indonesia inaugurated its first assembly plant for electric buses and electric trucks, with capacity of up to 10,000 vehicles per year.
- Exports of completely built-up vehicles reached record levels during 2025.
- The government continues to support investment in battery manufacturing and electrified transport.

7. Sustainability, ESG, and Green Finance

Sustainability is becoming an increasingly important part of Indonesia's economic development. International investors, multilateral institutions, export markets, and national authorities are gradually placing higher demands on environmental performance, climate reporting, and social responsibility. At the same time, the government is actively working to attract green investment and develop new financing models for sustainable projects.

This development is driven not only by climate objectives, but also by practical needs in waste management, water supply, resource efficiency, and energy efficiency. As Indonesia's economy and cities continue to grow, demand is increasing for solutions that can reduce environmental impact while improving productivity and competitiveness.

This is creating a growing market for green finance, circular business models, sustainable materials, and resource-efficient technologies. Interest is increasing particularly in areas such as recycling, bioplastics, sustainable forestry, water management, and energy-efficient industry.

Examples of Developments During 2026

- PT SMI has secured additional financing to strengthen the green finance market.
- FinDev Canada has invested in projects focused on low-carbon development.
- The government continues to support the development of bioplastics based on cassava and seaweed.

8. Consumer Market

With approximately 285 million people, Indonesia is one of the world's largest consumer markets. A growing middle class, rising incomes, and continued urbanization are driving demand for modern consumer products, healthcare, education, digital services, and high-quality food products. Domestic consumption is one of the economy's most important growth engines and makes Indonesia less dependent on exports than many other emerging markets.

At the same time, consumer preferences are changing as purchasing power, digitalization, and urban lifestyles evolve. Demand is increasing for premium products, modern retail concepts, e-commerce, and products with higher standards of quality, safety, and sustainability.

The food sector is particularly interesting. The government's investment in school meals and nutrition programs is expected to create long-term demand for dairy products, food processing, and modern distribution systems, while the growing middle class is driving consumption of processed foods and international brands.

Examples of Developments During 2026

- Retail sales continue to grow despite more cautious consumer confidence.
- The government's free school meals program is driving increased demand for milk and dairy products.
- Mandatory halal certification for several product categories is gradually coming into full effect during 2026.

9. Business Opportunities for Swedish Companies

Indonesia's energy transition, industrialization, urbanization, and digitalization are creating significant opportunities for Swedish companies. Particularly strong demand exists in renewable energy, electrification, energy efficiency, power grids, automation, digitalization, and sustainable industrial solutions. Extensive investments in mineral processing, battery production, and manufacturing are also opening opportunities for Swedish companies in technology, process industries, and advanced equipment.

At the same time, demand is growing for solutions related to smart cities, water and waste management, infrastructure, telecommunications, data centers, cybersecurity, and transport systems. Indonesia's sustainability ambitions are creating an attractive market for companies active in the circular economy, resource efficiency, ESG, and environmental technologies.

The country's expanding middle class is also driving demand in sectors such as food, healthcare, education, and premium consumer products. Overall, Indonesia offers a broad market where Swedish strengths in innovation, technology, and sustainability align closely with the country's long-term development priorities.

10. Risks, Barriers, and Challenges in 2026

Despite Indonesia's attractive growth prospects, foreign companies continue to face a number of regulatory and operational challenges that require careful planning and local knowledge.

- **Energy Market Pressures**
  Higher fuel and naphtha costs resulting from developments in the Middle East are increasing pressure on subsidies, airlines, and petrochemical feedstocks. Indonesia is already diversifying its naphtha supply toward Africa and India.
- **MSCI Uncertainty**
  Concerns regarding free-float transparency triggered a major stock market decline in early 2026. MSCI's review has been extended until June. The Financial Services Authority (OJK) has committed to accelerating reforms, but the final outcome remains uncertain.
- **Banking Sector Outlook**
  Fitch revised its outlook for Indonesian banks following concerns related to sovereign debt. Capitalization and profitability remain strong, but funding costs may increase.
- **Renewable Energy Implementation Gap**
  Government targets are ambitious, but implementation continues to lag behind stated objectives.
- **Corporate Governance in the Start-Up Sector**
  Following the collapse of eFishery and corruption investigations involving TaniHub, investors have increased due diligence requirements across Indonesia's digital ecosystem.
- **Inflation and Currency Volatility**
  Inflation in January 2026 recorded its fastest increase in almost three years. Weaker purchasing power and a weaker rupiah may dampen credit growth and consumer demand.

Standards and Certification

One of the most significant market barriers is the requirement for SNI certification (Standar Nasional Indonesia), which is mandatory for a large number of product categories. The regulatory framework currently covers more than 120 product groups and often involves factory audits, product testing, and inspections before products can be sold in the Indonesian market.

In many cases, testing must be conducted in Indonesia, increasing lead times and costs. Limited capacity among accredited testing and certification bodies can also create bottlenecks in the certification process.

Local Content Requirements and Industrial Policy

Indonesia is increasingly using Local Content Requirements (TKDN) to stimulate domestic production and industrial development. These requirements vary between sectors and continue to evolve in line with government industrial policy priorities.

For companies operating in energy, telecommunications, manufacturing, and public procurement, local-content requirements can become a decisive factor for market access. At the same time, evolving regulations and incomplete technical guidelines can create uncertainty for investment and market-entry decisions.

Intellectual Property and OEM Manufacturing

Companies using contract manufacturing in Indonesia may encounter challenges related to trademark registration and product liability. In certain situations, local trademark registration may be required even when products are intended solely for export markets.

This can create legal complexities when the trademark owner and the local manufacturer are separate legal entities.

Logistics and Geography

Indonesia's geography presents inherent challenges. The country consists of more than 17,000 islands, and logistics costs are estimated at approximately 14 percent of GDP, which is high by international standards.

Although substantial investments are being made in ports, roads, railways, and digital infrastructure, significant regional differences remain in transport efficiency and access to logistics services.

11. Practical Conclusions for Swedish Companies

The Indonesian market offers significant opportunities, but success requires a solid understanding of the local regulatory framework and institutional environment.

Companies should assume that regulations will continue to evolve. New technical regulations, certification requirements, and local-content rules are introduced regularly, making local legal advice and strong partnerships an important component of any market strategy.

Investment decisions should be based on more than market size and growth rates alone. International investors today place greater emphasis on regulatory predictability, institutional quality, and implementation capacity than in the past.

Finally, it is important to recognize that Indonesia effectively consists of multiple regional markets with different conditions and opportunities. Companies that invest time in building relationships, understanding local business conditions, and establishing a local presence generally have stronger prospects for long-term success.

12. The Role of SwedCham Indonesia

SwedCham Indonesia is a non-profit, member-driven organization dedicated to strengthening trade, investment, and professional relations between Sweden and Indonesia. We serve as a platform for companies, investors, and professionals with an interest in Swedish-Indonesian business relations.

Through networking, knowledge-sharing, market intelligence, policy dialogue, and business support, we help companies navigate and develop their activities in the Indonesian market. We also promote Swedish areas of excellence and support long-term cooperation between business, academia, and the public sector.

Our Network

SwedCham Indonesia is a member of EuroCham Indonesia, the European Chamber of Commerce; the EU-Indonesia Business Network (EIBN); and the International Business Chamber (IBC), the association of international chambers of commerce in Indonesia. These networks provide valuable opportunities for advocacy, market intelligence, business contacts, and engagement with policymakers and industry stakeholders.

Join us!

Our members include organizations based in Sweden, Indonesia, and regional hubs such as Singapore and Kuala Lumpur. By joining SwedCham, companies become part of a trusted network focused on strengthening business relations between Sweden and Indonesia.

Members benefit from networking opportunities, business insights, stakeholder introductions, policy dialogue, and advocacy initiatives. As a member-driven organization, our priorities are shaped by our members, giving them an opportunity to contribute to a stronger business environment and Swedish business presence in Indonesia.

Stay Connected

All interested can subscribe to our newsletter and follow our LinkedIn page for updates on Indonesian market developments, SwedCham activities, and upcoming events. Members also receive SwedCham Insights, our in-depth publication covering regulatory, legal, and market developments relevant to companies operating in Indonesia.

To learn more about membership and how SwedCham can support your business, contact us to arrange a meeting with our team in Jakarta.

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Sources

This report is based on a combination of official statistics from Indonesian government institutions, including Bank Indonesia, Statistics Indonesia (BPS), and the Directorate General of Financing and Risk Management (DJPPR), together with analysis from international organizations such as the International Monetary Fund (IMF), the Organisation for Economic Co-operation and Development (OECD), and the World Bank.

The report also draws upon market analysis and reporting from Reuters, IDN Financial, INDEF (Institute for Development of Economics and Finance), and coverage published by The Jakarta Post.

The purpose of the report is to provide Swedish companies with an overview of key economic developments, business opportunities, and current market conditions in Indonesia.