



# [Indonesia]

OUTLOOK 2026

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## **Executive Summary**

Indonesia enters the close of 2025 in a position of relative strength, having consolidated macroeconomic stability while navigating a complex global environment. The economy has maintained steady momentum, with growth holding around the 5% mark, supported by resilient domestic consumption and continued progress in structural reforms. Inflation has remained contained, reflecting disciplined monetary management and effective supply-side interventions, while fiscal policy has stayed within statutory limits, reinforcing investor confidence and shielding the country from the volatility affecting other emerging markets.

A central economic achievement of 2025 has been the government's focus on long-term structural transformation. The national housing-led growth programme has expanded, stimulating employment, improving access to affordable homes and crowding in private capital. At the same time, regulatory simplification and streamlined business licensing have improved the investment climate, encouraging stronger private-sector participation in manufacturing, digital services and infrastructure. These reforms have been complemented by efforts to strengthen food security, energy resilience and industrial downstreaming - areas seen as central to Indonesia's ambition of climbing the global value chain.

Politically, 2025 has been a year of consolidation under the new presidential administration. Early policy signals have emphasised fiscal discipline, with a high-profile rationalisation of non-essential spending and a reallocation of resources towards social programmes and public welfare. This has been

accompanied by a renewed focus on governance efficiency and performance-based budgeting, strengthening the state's capacity to deliver services across the archipelago.

Indonesia has simultaneously elevated its diplomatic presence, positioning itself as a leading voice for the Global South and an increasingly influential actor in regional economic and security discussions. Its stable political transition, coupled with measured policy continuity, has reinforced perceptions of Indonesia as a predictable and pragmatic partner.

As global uncertainty persists, challenges remain - particularly in boosting productivity, accelerating investment and ensuring equitable growth. Nonetheless, Indonesia's achievements in 2025 underscore a country moving with purpose towards long-term economic resilience and enhanced geopolitical relevance.

## **1.0 Politics**

### **2025: Turbulence and transformation**

The year 2025 has been one of rising public frustration and political upheaval for the Republic of Indonesia. A surge of mass protests erupted across Jakarta and other major cities in August, driven initially by outrage over generous pay and benefit increases for members of the People's Representative Council (DPR) - a move widely seen as tone-deaf given persistent economic hardship among ordinary Indonesians. The situation escalated sharply when a motorcycle-taxi driver was reportedly killed by police during demonstrations, deepening public anger.

At the same time, citizens - notably students, civil-society groups and labour unions - renewed demands to block significant military-law reforms. The proposed changes to the Law on the Indonesian National Armed Forces (TNI Law) triggered fears the military might regain excessive influence in civilian governance, jeopardising democratic norms such as civilian supremacy.

In response, the government under President Prabowo Subianto rolled back some of the most unpopular perks for politicians and promised engagement with civil society - steps that, for now, defused some immediate tensions.

### **Efforts at reform - and lingering weaknesses**

Authorities also announced a renewed commitment to combat corruption. In June, Prabowo warned that the state would no longer tolerate abuse of power or graft.

Yet structural problems remain stubborn. Economic pressures - especially rising living costs - have fuelled discontent, while labour groups are already calling for substantial minimum-wage hikes in 2026 to keep pace with inflation.

Meanwhile, the push to reform the event and entertainment industry by cutting bureaucratic red tape, though welcome, highlights broader governance challenges: inefficiency, opaque regulation, and difficulty in balancing state control with private initiative.

Press freedom continues to face serious threats. New legislative and regulatory proposals - including amendments to broadcasting laws and a police regulation governing foreign journalists - have stirred alarm among

media watchdogs and journalists' associations. Critics argue such measures could stifle investigative journalism and public accountability.

### **Looking ahead: What Jakarta and Indonesia must navigate in 2026**

For Jakarta and the national government, the coming year will require a delicate balancing act. On one hand, they must sustain economic growth, address public grievances about inequality and rising costs, and deliver on promised reforms in governance and labour conditions.

On the other hand, pushing forward controversial reforms - especially related to the military, law enforcement, or media regulation - risks provoking renewed popular backlash. The demand for democratic accountability, transparency and social justice remains strong; failure to meet it could further erode public trust.

Crucially, if the state is to preserve legitimacy, it must turn rhetoric on anti-corruption and reform into visible, systemic change - while creating space for civic participation, media freedom and fair representation.

2025 may be seen as a year when anger finally broke the surface. Whether the momentum leads to genuine structural reform - or is followed by repression and retrenchment - remains to be seen

## **2.0 Macro Economy**

### **• 2.1 GDP growth**

In 2025, Indonesia's economy has demonstrated resilience in the face of global headwinds, with growth broadly expected to hover around 5% year-on-year. This optimism is underpinned by strong household consumption, continued investment (especially in infrastructure and industry), and supportive fiscal and monetary measures.

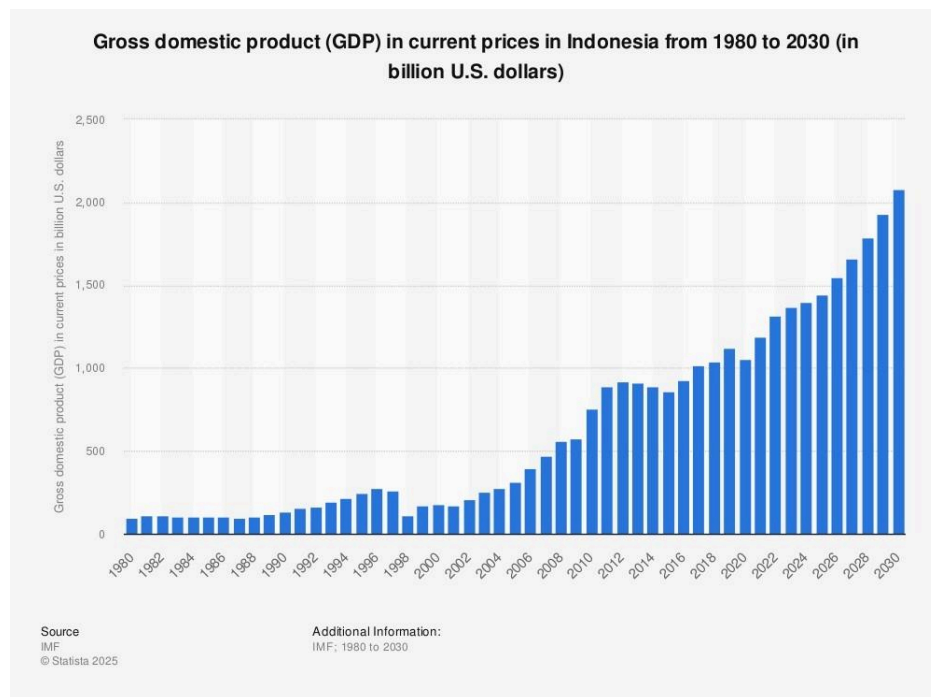
More specifically, official data from the second quarter showed a 5.12% growth rate year-on-year, reflecting particularly strong consumer spending, buoyed by social assistance programmes, retail rebound, and distribution of civil-servant bonuses. The third quarter came in at 5.04%, slightly lower than Q2 but still above many market estimates.

That said, some international institutions have taken a relatively cautious stance: the International Monetary Fund (IMF) - along with other bodies such as the World Bank - revised down their 2025 growth forecasts to around 4.7%, citing external uncertainties such as global trade tensions, volatile commodity markets and weaker global demand.

Despite this divergence in outlooks, the general consensus for 2025 suggests

Indonesia is maintaining a stable growth trajectory - not spectacular, but steady, underpinned by domestic demand and structural economic activity.

Expected 2026 growth: Indonesia is forecast to grow around 5.3% in 2026, supported by continued consumption, investment, and stable inflation.



## • 2.2 Inflation and Monetary Policy

Indonesia's inflation trajectory through 2025 reflected a delicate balancing act between domestic resilience and global uncertainties. Headline inflation hovered within Bank Indonesia's (BI) 1.5–3.5% target range for most of the year, supported by relatively stable food prices, improved harvest output, and government interventions to smooth volatility in essential commodities. Nevertheless, several supply-side pressures emerged intermittently. Imported inflation picked up in the second quarter as global energy prices firmed and the rupiah weakened slightly against the US dollar, driven by shifting expectations surrounding the Federal Reserve's easing cycle. This prompted temporary upward pressure on logistics costs and some manufactured goods.

Core inflation remained contained, suggesting that domestic demand, although recovering, had not overheated. Household spending grew steadily but remained short of pre-pandemic momentum in several regions, partly due to cautious consumer sentiment and high borrowing costs carried over from earlier monetary tightening. BI's policy strategy through 2025 was therefore characterised by a preference for stability over stimulation. Policymakers maintained a cautiously tight bias for much of the year, holding the benchmark BI-Rate near multi-year highs to anchor inflation expectations and provide a

buffer for the currency.

Throughout the year, BI emphasised the importance of macroeconomic stability as a precondition for sustained investment inflows. Efforts included strengthened intervention in the domestic non-deliverable forward (DNDF) market and calibrated liquidity management to ensure money market stability. The government complemented BI's measures with targeted fiscal support, particularly for rice and fuel stabilisation programmes, which helped keep food inflation from escalating despite periodic supply disruptions caused by El Niño-related weather patterns early in the year.

By late 2025, signs of easing inflation began to appear. Improved agricultural output and softer global oil prices reduced pressure on consumer prices, while the rupiah regained some ground as global financial conditions stabilised. This provided room for BI to begin signalling the possibility of a more accommodative stance in 2026 - though only if external conditions allowed and inflation expectations remained firmly anchored.

## **Outlook for 2026**

In 2026, inflation is expected to ease toward the mid-point of BI's target range as food supply stabilises and global energy markets remain comparatively calm. With the Federal Reserve expected to continue its gradual rate-cutting cycle, BI is likely to follow with measured reductions in the BI-Rate, supporting credit growth and household consumption. Nevertheless, policymakers will remain cautious: external vulnerabilities, including geopolitical tensions and commodity-price swings, could still test inflation stability. The overall direction points toward gradual monetary loosening, contingent on maintaining currency stability and well-anchored inflation expectations.

## **3.0 External Environment**

Indonesia's external environment in 2025 was shaped by a confluence of geopolitical tensions, shifting global trade policies, and volatile financial-market conditions, all of which exerted a meaningful impact on the economy and the rupiah. As a commodity-exporting nation with deep integration into regional and global supply chains, Indonesia remained particularly sensitive to developments beyond its borders.

A major source of disruption stemmed from the United States' decision to impose higher tariffs on a range of manufactured goods originating from Asia. Although Indonesia was not the primary target of these measures, secondary effects were unavoidable. Higher tariffs on regional competitors such as China and Vietnam created both risks and opportunities: on the one hand, the potential diversion of supply chains could attract investment into Indonesia's manufacturing and downstream processing sectors; on the other, uncertainty

around global demand and sourcing costs weighed on export planning. For Indonesia's electronics, textiles, and automotive components industries, the shifting trade landscape heightened the need for diversification and competitiveness, particularly as firms reassessed their exposure to tariff-affected markets.

Geopolitical tensions further complicated Indonesia's external position. The continuing wars in Russia–Ukraine and Gaza contributed to elevated global energy prices and periodic disruption to key shipping routes. As a major exporter of coal and liquefied natural gas, Indonesia benefited to some extent from firmer energy prices; however, the volatility also affected import costs for fuel and fertiliser, placing pressure on domestic inflation. Rising freight and insurance costs, especially during renewed disruptions in the Black Sea and eastern Mediterranean, reduced margins for exporters and increased costs for imported intermediate goods, complicating monetary management at home.

Financial-market conditions added another layer of complexity. The uncertain pace of US monetary easing created bouts of risk aversion, prompting capital outflows from emerging markets and adding depreciation pressure on the rupiah. Bank Indonesia responded with a combination of measured rate policy, intervention in the foreign-exchange market, and the use of domestic non-deliverable forwards to smooth volatility. These actions helped anchor investor confidence, but currency stability remained vulnerable to sudden shifts in global sentiment.

Despite the challenging environment, Indonesia continued to attract foreign direct investment, particularly in nickel processing, renewable energy components, and electric-vehicle supply chains. Yet the overall external backdrop underscored the need for greater economic diversification and stronger hedging against geopolitical and trade-related risks.

## **4.0 Budget & Debt**

### **• 4.1 Federal Budget**

The recently approved 2026 budget of Indonesia, set out under the administration of Prabowo Subianto, reflects a striking yet deliberate tilt towards stimulus-driven spending even as fiscal discipline remains the officially stated goal. Total outlays have been fixed at IDR3,842.7 trillion (\$230.4bn), while revenues are expected to reach IDR3,153.6 trillion. That leaves a deficit of IDR689.1 trillion or 2.68% of GDP, up from the 2.48% envisaged in the original draft.

Among the most significant line items in the 2026 budget are allocations for food security, health, education and social safety nets. The state will spend

IDR210.4 trillion on food security, a 31.7% increase over 2025 estimates, in the process underpinning the government's ambition of food self-sufficiency. Meanwhile, the health sector receives around \$13.8bn, aimed at widening access to care, curbing stunting and tackling infectious diseases.

The government has defended the expanded fiscal gap by pointing to the need for stronger regional transfers and investment in human-capital and basic infrastructure. Jakarta also seeks to shore up development in remote and under-served provinces, an ambition tied to political as well as economic objectives.

Yet while the structural deficit remains within the constitutional cap - below 3% of GDP - the fact that the deficit target has increased signals a gamble that stronger spending will indeed translate into tangible growth. Should global headwinds intensify, or should spending fail to yield the expected results, fiscal space could narrow. That risk is accentuated by the tendency for budget absorption to lag.

In sum, Indonesia's 2025–26 fiscal blueprint amounts to a bold effort to balance social and developmental ambition with macroprudence. The expanded allocations for food, health, regional transfers and public services reflect a government intent on cementing legitimacy through delivery. Yet the widened deficit which is modest by historical standards poses a test of whether Jakarta can convert financial commitments into growth and inclusion without compromising long-term fiscal health.

## • **4.2 Debt & Gross International Reserves**

As Bank Indonesia (BI) and the Ministry of Finance of Indonesia reported in late 2025, Indonesia enters the 2025–26 period with what officials describe as a “safe yet sustainable” external-debt structure, supported by robust foreign-exchange reserves that continue to underpin macro-economic stability.

As of June 2025, the government's total debt, both domestic and foreign, stood at IDR9,138.05 trillion, equivalent to 39.86% of GDP.

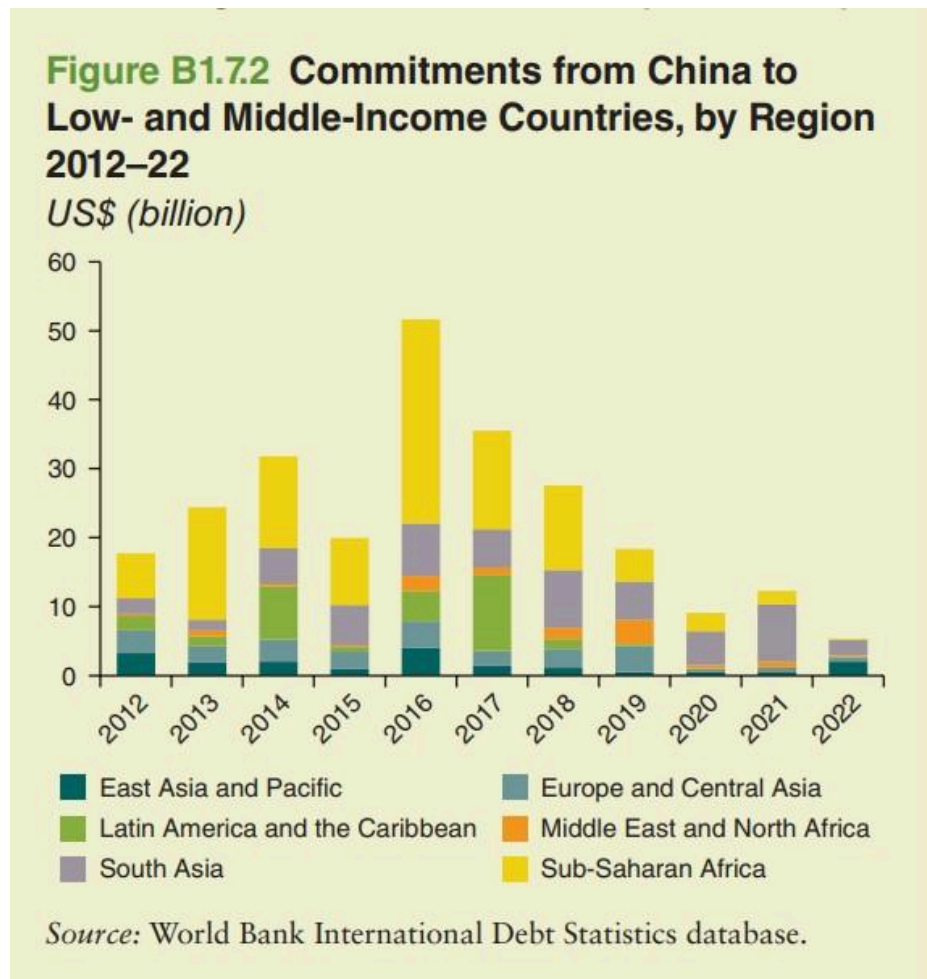
External debt alone reached \$431.9bn by August 2025, up a modest 2% year-on-year.

Concurrently, external resilience remains comparatively strong by global standards. At the end of September 2025, gross international reserves stood at \$148.7bn, only slightly down from \$150.7bn in August. By October, the reserves had edged up again to \$149.9bn, a modest recovery attributed to fresh global-bond issuances and sustained tax and service-revenue inflows.

Importantly, these reserves suffice to cover around 6.2 months of imports (or about 6.0 months when accounting for government external-debt servicing), well above the broadly accepted international adequacy threshold of roughly

three months.

In practical terms, the ratio of foreign-debt burden to Indonesia's external liquidity appears manageable. External debt has remained around 30% of GDP through much of 2025, while the bulk of foreign borrowings are long-dated - a factor that BI highlights as a sign of prudent debt-management practices.



Still, risks persist. For now, though, Jakarta's 2025–26 debt and reserves profile offers a degree of comfort: enough liquidity to service obligations and support imports, plus a gradually expanding debt stock that remains anchored by long maturities. That balance may prove critical as global uncertainty persists and Indonesia seeks to finance continued development without compromising financial stability.

## 5.0 Real Economy

### • 5.1 Retail

Indonesia's retail economy in 2025 reflected a cautious but broadly improving

consumer landscape, shaped by a recovery in household confidence, steady urban employment and the expansion of digital commerce. After two years of uneven momentum, retail spending gained firmer ground, supported by moderating inflation and targeted fiscal measures designed to stabilise food and energy prices. Middle-income households, the backbone of domestic consumption, displayed greater willingness to resume discretionary spending, although demand remained more resilient in essential categories than in non-essentials.

Modern trade continued to outpace traditional formats, with convenience-store chains and mid-range supermarkets expanding aggressively into second-tier cities. E-commerce platforms consolidated their hold on younger consumers, with rapid-delivery services and integrated payment solutions encouraging higher transaction volumes. Promotional intensity, however, remained high as platforms sought to retain market share amid rising operational costs and tighter regulatory scrutiny of discounting practices.

Tourism's recovery provided a further lift to retail corridors in Jakarta, Bali and Surabaya, where footfall improved and luxury brands reported a gradual return of affluent domestic shoppers. Yet challenges persisted. Household debt levels edged higher, limiting the scope for sustained consumption growth, while currency volatility pushed up the cost of imported goods. Retailers were also exposed to wage pressures as labour-market reforms increased compliance costs.

Overall, the sector in 2025 settled into a pattern of steady but unspectacular expansion. Growth was supported by improving macroeconomic stability, but sentiment remained sensitive to fluctuations in global commodity prices and shifts in external financial conditions.

## • **5.2 Manufacturing**

Manufacturing is one of Indonesia's fastest-evolving sectors, reflecting both domestic consumption growth and the government's ambition to develop higher-value industrial capabilities. In 2025 the automotive industry recorded solid expansion, supported by rising household incomes and the rollout of new production lines for both petrol and electric vehicles. Japanese brands - Toyota, Daihatsu, Mitsubishi and Honda - continue to dominate local assembly, with significant clusters centred in West Java. Toyota's investment in hybrid-vehicle production and Mitsubishi's expansion of its Xpander line underscore continued confidence in the domestic market.

Indonesia's push into electric vehicles has gained momentum. Hyundai and Wuling have expanded EV production at their Bekasi plants, supported by lower import duties on components and various incentives for domestic buyers. These moves complement the country's nickel-based battery ecosystem, though competition with Thailand for regional production leadership remains intense.

Consumer-goods manufacturing also remains strong, led by major FMCG firms such as Unilever Indonesia, Wings Group and Indofood. Demand for packaged foods, homecare products and personal-care goods grew steadily through 2025, benefiting from urbanisation and demographic trends. Machinery production - particularly agricultural equipment - continues to expand, driven by government programmes supporting modern farming practices.

Logistical bottlenecks, high transport costs and regulatory complexity still present hurdles, but the sector's increasingly diversified industrial base positions Indonesia well for long-term manufacturing growth.

## • **5.3 Banking Sector**

Indonesia's banking sector in 2025 navigated a year marked by cautious optimism, underpinned by stable liquidity conditions, disciplined credit expansion and an improving—though still uneven—macroeconomic backdrop. Commercial banks benefited from moderating inflation and clearer forward guidance from Bank Indonesia, which maintained a tight-leaning policy stance for much of the year to anchor the rupiah and contain imported price pressures. The resulting interest-rate environment supported net interest margins, though loan demand recovered only gradually as households and corporates adjusted to the higher-for-longer cost of credit.

Credit growth strengthened in the second half of the year, driven by lending to manufacturing, logistics, construction and downstream mineral-processing industries. Banks remained selective, with underwriting standards tightened in response to lingering concerns over global volatility and commodity-market swings. Consumer lending improved modestly, buoyed by stabilising household confidence, but mortgage demand remained restrained by elevated borrowing costs and sluggish residential property sentiment.

Asset quality held broadly stable. Non-performing loan ratios stayed manageable, supported by regulatory forbearance measures introduced in previous years and more proactive restructuring practices. However, banks remained attentive to vulnerabilities in the SME segment, where cash-flow pressures persisted amid shifting global supply-chain conditions. Larger state-owned banks maintained strong capital buffers, while mid-tier lenders focused on strengthening risk controls and expanding digital-banking capabilities.

The sector continued its structural transformation. Digital adoption accelerated, with online banking, e-wallets and instant-payment platforms deepening their penetration. Competition from non-bank fintech players remained intense, prompting traditional lenders to invest heavily in customer analytics, cybersecurity and automated credit-assessment tools. Regulatory authorities placed greater emphasis on digital-bank resilience, data protection and

interoperability across payment systems.

External conditions posed periodic challenges. Capital outflows linked to fluctuating expectations over US monetary easing created bouts of currency pressure, prompting Bank Indonesia to intervene in the foreign-exchange market. While banks were largely insulated from these movements, funding-cost volatility required careful liquidity management, particularly among smaller lenders reliant on wholesale markets.

By the end of 2025, the Indonesian banking sector remained fundamentally sound - supported by robust capitalisation, expanding digital capability and prudent risk management. Yet it entered 2026 aware of the continued need to balance growth ambitions with the uncertainties of a volatile global environment.

Indonesia's financial-services sector plays a central role in domestic investment, consumer finance and fiscal stability. In 2025 the industry continued its steady post-pandemic recovery, supported by improved credit growth, moderating inflation and stronger household consumption. Large banks -Bank Rakyat Indonesia (BRI), Bank Mandiri and BCA - reported robust profitability, driven by expanding loan books and steady net interest margins. BRI's microfinance franchise remained one of the bank's strongest engines of growth, while Mandiri expanded corporate lending to infrastructure, logistics and mining companies.

Digital banking has transformed the competitive landscape. Jago Bank, SeaBank and Bank Neo Commerce continued to gain traction among younger consumers, leveraging app-based credit scoring and fee-free transaction platforms. E-wallets such as GoPay, OVO and DANA remained central to Indonesia's payments ecosystem, compelling banks to accelerate digital transformation and enhance mobile interfaces.

Capital markets activity improved modestly, with increased bond issuance linked to renewable-energy projects and infrastructure. However, the sector remains exposed to global monetary conditions, particularly shifts in US interest rates that influence capital flows and the rupiah's stability.

Key risks include rising household debt, the vulnerability of SMEs to global demand fluctuations and ongoing cyber-security concerns as digital adoption deepens. Nonetheless, strong regulatory oversight and the gradual expansion of financial inclusion ensure that the financial-services industry remains a vital pillar of Indonesia's modern economy.

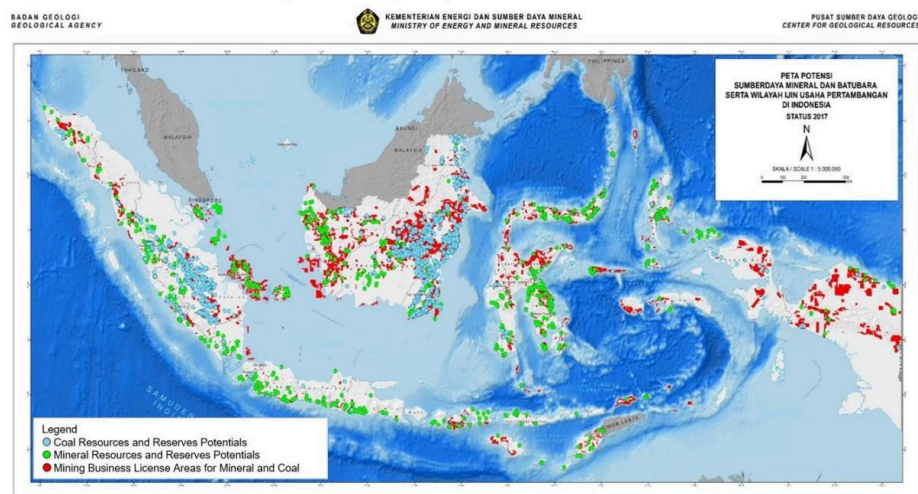
## • **5.4 Metals & Mining**

Indonesia's energy and mining sector remains a cornerstone of fiscal revenue, export performance and foreign investment. In 2025 the industry continued to benefit from strong global demand for nickel, copper and thermal coal, even as

prices moderated from the peaks triggered by earlier supply shocks. The government's ongoing industrial-downstreaming strategy has reshaped the sector significantly, shifting value creation from raw ore exports to domestic processing. The Morowali and Weda Bay industrial parks in Sulawesi remain the poster children of this transformation, hosting integrated smelters and battery-material facilities operated by Chinese and local consortia.

Nickel, in particular, has become Indonesia's most strategically important mineral. Companies such as Tsingshan, Vale Indonesia and Harita Nickel expanded high-pressure acid leach (HPAL) operations, supplying mixed hydroxide precipitate for global electric-vehicle supply chains. The downstream policy has boosted investment but also raised concerns about environmental degradation and power consumption, given the reliance on coal-fired electricity in industrial parks.

Figure 1 Indonesia's mineral and coal potentials map (2018).



Source: The Ministry of Energy and Mineral Resources (2018)

Coal exports remain substantial, driven by demand from India, China and Southeast Asia, although the government has emphasised improving domestic power supply stability and promoting gasification projects. At the same time, Pertamina's refinery upgrades and Masela gas-project developments indicate efforts to revitalise the oil and gas segment after years of declining output.

Despite its importance, the sector faces challenges: geopolitical shifts, fluctuating commodity prices and the need to meet increasingly strict sustainability expectations from global buyers. Even so, the mining and energy industries continue to underpin Indonesia's fiscal resilience and remain pivotal to its industrial ambitions.

## • 5.5 Tourism, Transport and Creative Services

Tourism and transport are major contributors to Indonesia's service-sector output, complemented increasingly by the burgeoning creative economy.

Visitor arrivals rebounded strongly in 2025, supported by improved connectivity and the revitalisation of major destinations. Bali remains the flagship tourism hub, though the government's "Five New Bali" strategy has channelled investment into Labuan Bajo, Mandalika, Lake Toba and Borobudur, diversifying the sector's geographic base.

Airlines have expanded international capacity: Garuda Indonesia strengthened routes to Japan and Australia, while low-cost carriers such as Lion Air and AirAsia Indonesia increased ASEAN connectivity. Hotels and hospitality operators - including Accor, Archipelago International and Marriott - reported improving occupancy, boosted by long-stay visitors and remote workers.

The creative economy - spanning film, animation, gaming, music and fashion - has become one of Indonesia's most dynamic service segments. Jakarta's and Bandung's design and digital-content industries have gained regional visibility, supported by platforms such as Tokopedia Play and domestic production houses collaborating with global streaming companies.

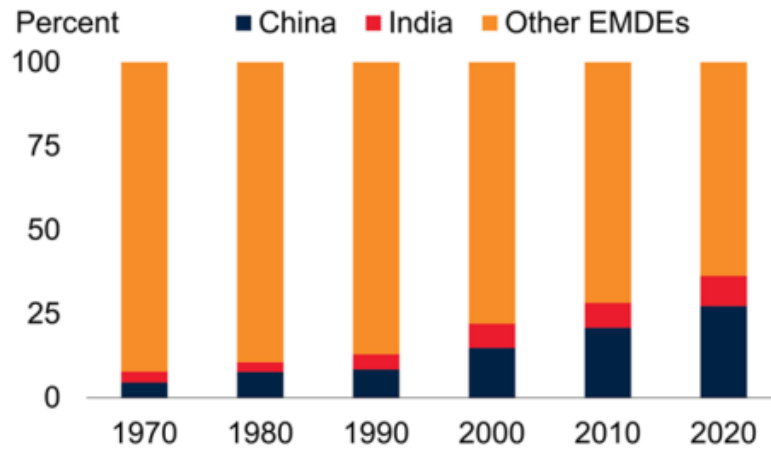
Nevertheless, the tourism and creative sectors face persistent issues: infrastructure gaps in secondary destinations, environmental pressures in Bali, and regulatory uncertainty affecting international film production. Still, with expanding digital adoption and strong cultural appeal, the combined tourism, transport and creative industries are emerging as powerful growth engines that complement Indonesia's traditional reliance on commodities and manufacturing.

## **6.0 Energy & Power**

### **• 6.1 Oil and Gas Production & Transport**

As Indonesia looks ahead to 2026, its oil and gas sector appears poised for a cautious, yet potentially pivotal, transition, shaped by shifting production dynamics, rising gas-demand, and a renewed emphasis on mid-stream infrastructure.

### C. Oil consumption in EMDEs



According to recent figures, investment in upstream oil and gas reached \$8.9bn through August 2025, part of a broader target of \$16.5–16.9bn for the full year, yet actual exploration remains well behind plan, with only some \$500 million realised so far.

This suggests that even if production is maintained, significant increases in output may not materialise without fresh discoveries or substantial enhanced-recovery efforts.

On the gas-supply side, 2026 is shaping up as a landmark year for domestic gas distribution. The Ministry of Energy and Mineral Resources (MEMR) has committed to building gas-pipeline networks across 15 districts and cities in 2025–2026 - a clear sign the government wants to expand access to natural gas for households and industry alike. This corridor build will supplement work already underway on major transmission pipelines such as the pipeline between Dumai and Sei Mangkei, expected to be completed in coming years.

Meanwhile, PLN (the state electricity utility) has secured 103 LNG cargoes for 2026 - up from ~90 cargoes in 2025 - reflecting a structural shift toward gas for power generation, as part of a broader strategy to reduce coal and diesel reliance. Together with the growth in LNG import terminals and regasification capacity, this points to a rising role for gas in Indonesia's power-mix.

Yet the 2026 outlook is not without risk. With upstream exploration lagging and most mature oil wells in decline, Indonesia may struggle to meet its historic oil lifting targets - putting pressure on import needs or forcing greater substitution with gas. Equally, success of pipeline and LNG infrastructure depends on timely execution and steady financing: delays could hamper the intended expansion of gas distribution, particularly outside Java and Sumatra.

In sum, Indonesia enters 2026 with a mixed energy ledger - modest upstream momentum, clearly rising gas-demand and an ambitious roll-out of pipeline and LNG infrastructure. The coming year may mark the point where natural gas

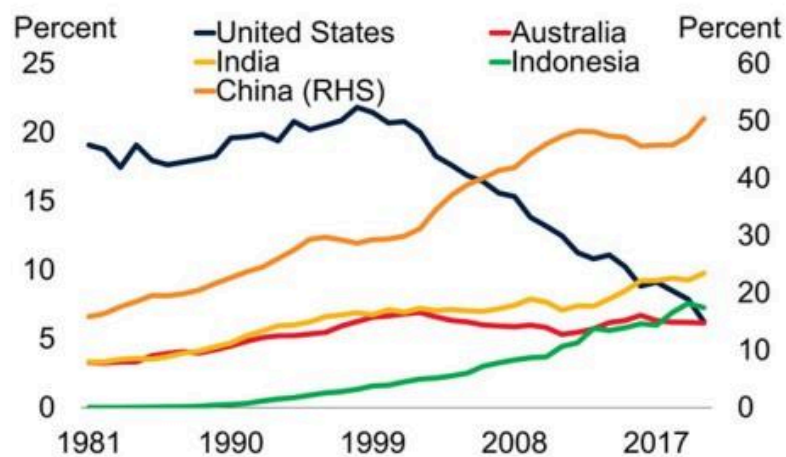
finally begins to assume a central role in Jakarta’s energy and industrial strategy - provided that infrastructure delivery keeps pace with demand, and that upstream investments yield fresh production.

## • 6.2 Electricity production & renewables

As Indonesia prepares for 2026, its electricity-generation outlook sits at a critical inflection point with ambitious plans for renewable expansion, tempered by the practical need to balance demand growth and energy security.

Under the PT PLN’s 2025–2034 power plan (RUPTL), Indonesia aims to add approximately 69.5 GW of new capacity through 2034, and for the first half of that horizon (2025–2030), roughly 27.9 GW is slated for construction. Around 76% of that additional capacity is expected to come from renewables and storage, with solar, hydro, geothermal, wind and bio-energy forming the backbone of that expansion.

### C. Shares of global coal production



For 2026, one immediate marker is the roll-out of new renewable projects including utility-scale solar (ground-mounted and floating), small hydro, geothermal and possibly wind in selected locales. According to a recent outlook by a leading analytics firm, cumulative renewable capacity in Indonesia is projected to climb from about 8.4 GW in 2024 to over 38 GW by 2035 – itself a sign that 2026 may be a year of acceleration in green-field developments for Southeast Asia’s biggest economy.

At the same time, the government continues to reaffirm long-term ambition: under a national energy policy issued in 2025, Indonesia targets supplying 73.6% of electricity from “clean energy” by 2060. Nevertheless, the near-term

balance remains delicate. Coal and gas-fired plants are expected to stay part of the generation mix for several more years, to guarantee baseload stability while renewables and storage scale.

For transmission and grid infrastructure, 2026 will also see increased investment in connecting new renewable assets, deploying battery or pumped-storage systems to manage intermittency, and extending the grid to more remote islands.

In short, 2026 may prove a watershed year: a bridging point between fossil-fuel-dominated baseload and a cleaner, more diversified energy mix. Success depends on timely project execution, adequate storage and transmission build-out - and the political will to sustain the clean-energy agenda while managing economic and reliability pressures.