



Pedestrians in Jakarta, Indonesia, on 11 June 2025. (Photo by Aditya Irawan / NurPhoto via AFP)

Indonesia's 5.61 Per Cent: Growth for the State, Not for the People

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Is Indonesia's growth rate an accurate reflection of the country's progress?

On 5 May 2026, Statistics Indonesia (BPS) **announced** that Indonesia's economy had grown 5.61 per cent year-on-year (y-o-y) in the first quarter (Q1), the fastest pace since 2022. The government's response was **celebratory**. Prabowo's administration had its headline, but headlines are not governance and a number, however impressive, is not an economic diagnosis.

The 5.61 per cent's composition needs to be scrutinised. Government spending surged 21.8 per cent y-o-y in Q1 2026, driven mostly by civil servants' bonuses (THR) and expenditure on expensive programmes like free nutritious meals (*Makan Bergizi Gratis*, MBG) and village cooperatives (*Koperasi Desa Merah Putih*, KDMP). The cost of THR was approximately IDR50 trillion (around one-tenth of central government spending in the first two months of 2026). As the administration paid these bonuses out fully in Q1 rather than spread them across two quarters, this significantly front-loaded government expenditure. Meanwhile, household consumption grew 5.52 per cent, boosted by Ramadan and Eid al-Fitr (mid-February to past mid-March 2026), while the food and beverage industry's output grew 13.14 per cent, partly attributed to MBG spending. The cooperatives' direct contribution to Q1 growth remains unquantified; BPS has yet to disaggregate the cooperatives sector's activity, which shows a gap in official fiscal reporting.

If these seasonal effects are removed, Indonesia's growth story is considerably different. Investment expanded by 5.96 per cent, but the mining and utilities sectors contracted. The World Bank **revised** projections for Indonesia's 2026 growth down from 4.8 to 4.7 per cent, while the MSCI **maintained** its index review freeze due to transparency concerns. Clearly, the markets are reading a different story from the official numbers, which reflects eroding confidence in Indonesia's economic reporting.

There is a question that the GDP figures do not answer: what does 5.61 per cent growth feel like for citizens?

The rupiah **has crossed** the exchange rate of IDR17,500 per US dollar, well past the 2026 budget's assumption of IDR16,500/USD. Global oil prices have **surged** above USD100 per barrel due to the US-Israeli strikes on Iran

(against the budget's assumption of USD70/barrel). These two shocks are jacking up logistics and non-subsidised fuel costs, while threatening the fiscal sustainability of fuel subsidies, on which many lower-income Indonesians depend.

The deeper problem is that Indonesia's growth is increasingly detached from economic security, **defined as** households' capacity to meet basic needs with stable, adequate and protected incomes. This encompasses job security, access to social protection and insulation from price shocks. While Indonesia's GDP growth has remained above five per cent for years, informal employment **rose** from 56.64 per cent in 2020 to 59.40 per cent in 2025, leaving more than 85 million people without social protection or stable income. While the BPS **recorded** 23.85 million poor Indonesians in 2025 based on Indonesia's official poverty line, the World Bank **estimated** that over 171 million remain economically vulnerable.

Meanwhile, the flagship programmes driving government spending in Q12026 are causing governance problems. The MBG, **absorbing** IDR70 trillion by end-April, has been criticised for causing **food poisoning**, unresolved **conflicts of interest** in kitchen ownership and **nutritional quality concerns**. Yet the administration insists on **expanding** rather than evaluating the programme, reasoning that implementation problems are teething issues and that MBG spending is already demonstrating multiplier effects. The village cooperatives, with potential state liabilities near **IDR240 trillion** if credit is fully drawn, are **generating tensions** in communities, as they disrupt existing local economic arrangements. For instance, the cooperatives are displacing private traders, wholesalers and informal moneylenders who, however extractively, have long performed the functions of credit provision and market logistics. Whether the KDMP will create jobs for rural workers depends on whether they develop real operational capacity, rather than just unlocking disbursements.

Good public policy relies on accurate diagnosis, which requires the government to be honest in answering fundamental questions and providing the right information, not just showing positive statistics.

The gap between Indonesia's macroeconomic performance and Indonesians' lived experiences may reflect a governance failure rooted in a deeper mechanism: when the government focuses on managing public perception rather than its performance, it underweights the feedback required for effective policy rollouts. If ministers and officials celebrate '5.61 per cent' growth but overlook food poisoning, the rupiah's drop and increasing food staple prices, or worse, cite official data showing moderating food inflation without acknowledging that the data's credibility is questionable, such dishonesty jeopardises good policymaking.

Good public policy relies on accurate diagnosis, which requires the government to be honest in answering fundamental questions and providing the right information, not just showing positive statistics. When the government substitutes public communications for rigorous policy evaluations, it will risk maintaining expansive programmes that do not deliver while cutting services that do, and continue mistaking spending for improvements in citizens' welfare. The problem extends across **multiple agencies**, where **institutional** independence has been **eroded**. This has reduced the government's capacity to receive accurate feedback, in a form of self-inflicted epistemic failure.

Indonesia's government seems to focus on showing an image of success above all else. There is a systematic privileging of announcements over accountability and numbers over lived experience. The concern is that methodological choices in accounting, such as how poverty lines are drawn, how employment informality is counted, which price indices are weighted and how, consistently favour optimistic readings. Policymakers working with a rosier-than-real picture will design interventions that address the picture, not the reality.

Three indicators are more informative than Indonesia's Q1 GDP growth figure. First is the country's fiscal deficit ceiling. Citigroup has **raised its forecast** for 2026 to 3.5 per cent, assuming that the government will revise the State Finance Law to loosen the current three per cent cap. If this happens, it would signal that constraints on executive power can be dissolved when they become inconvenient. Removing the cap under political pressure should concern anyone invested in Indonesia's institutional quality.

Second is the quality of subnational public services. Regional budget transfers have been under pressure since the budget cuts of early 2025; **it is getting worse**. As the central government protects its flagship programmes, the cost has fallen disproportionately on provincial and district governments. Necessary spending on local clinics, schools and infrastructure maintenance that affects citizens, particularly outside Java, has been squeezed.

The third indicator is the administration's growing intolerance toward dissent. When criticism is treated as a hostile threat rather than honest feedback, the state loses its capacity to detect policy failure before it becomes a crisis. Indonesia's weakened score in indices like the 2025 Economist Intelligence Unit's 'democracy index' **fell** from 7.03 to 6.44, showing a diminishing political culture and civil liberties despite procedural elections. The new Criminal Code (KUHP) and Criminal Procedure Code (KUHP), effective January 2026, **expanded the legal tools** for prosecuting critics of the president and other state institutions.

If GDP growth alone is an unreliable guide, what should be watched going forward? First, the Debt Service Ratio reveals the government's true fiscal space; second, subnational service delivery, particularly health and education access outside Java; third, the informal employment share and household consumption in the bottom two income quintiles; and finally, the quality of Indonesia's democratic feedback mechanisms will tell us whether growth is truly reaching the people or merely the state.

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