COUNTRY RISK CATEGORY

3

OF 7

JULY 2026

Indonesia

COUNTRY ANALYST

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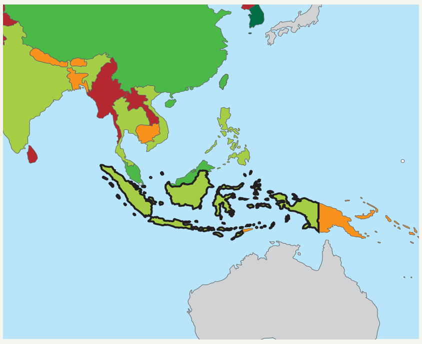
Basic facts (2025)

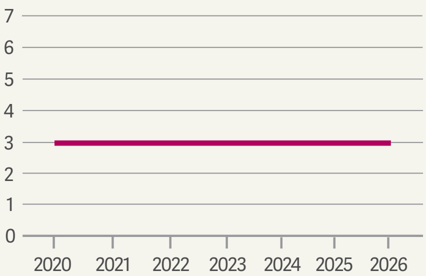
Population: 284 million
GDP, nominal: USD 1 446 billion
GDP/capita: USD 5 082



0 1 2 3 4 5 6 7

The country risk categories are arranged on a scale from 0 to 7. The lower the figure, the better the country's creditworthiness

Country classification history



Source: EKN

Strengths

- Strong growth prospects supported by a large domestic market
- Substantial natural resources
- Moderate external debt, robust foreign exchange reserves, and a flexible exchange rate

Weaknesses

- Low government revenues, rising public debt, and weakening confidence in the fiscal framework
- Commodity-dependent exports expose the economy to commodity price cycles
- Vulnerability to climate change through natural disasters and transition risks

Commodity-based economy

Indonesia is the world's fourth most populous country, with 284 million inhabitants. Since the fall of the Suharto regime in 1998, the country has made significant democratic progress. State institutions have been strengthened, and peaceful transfers of power through elections take place regularly.

Alongside this development, the economy has performed strongly, with stable growth averaging five per cent per year between 2000 and 2025. Poverty has declined, and a growing middle class has strengthened domestic demand. Since 2023, Indonesia has been classified as an upper-middle-income country by the World Bank.

The economy benefits from substantial natural resources, including coal, natural gas, metals, palm oil, and rubber. Commodity-based exports account for just over half of total exports and represent a key source of foreign exchange earnings. At the same time, a large domestic market—where private consumption accounts for around half of GDP—helps cushion external shocks.

The agricultural sector is productive, with output including rice, coffee, and soybeans. It employs just under 30 per cent of the workforce, although its contribution to GDP is relatively limited at around 12 per cent. Overall, natural resources, a large domestic market, and a productive agricultural sector contribute to a relatively diversified economy.

At the same time, reliance on natural resources entails vulnerabilities. Dependence on commodity exports makes the economy sensitive to fluctuations in global commodity prices and demand. Over the longer term, reliance on fossil fuels creates transition risks as global climate policy tightens. At the same time, Indonesia is well positioned in other parts of the green transition. The country has substantial reserves of strategic minerals, including one of the world's largest nickel reserves—a metal used in electric vehicle (EV) batteries after processing.

If Indonesia manages regulatory and environmental challenges, there is potential to establish the country as an industrial hub within EV value chains, which would support long-term growth and reduce exposure to commodity price cycles.

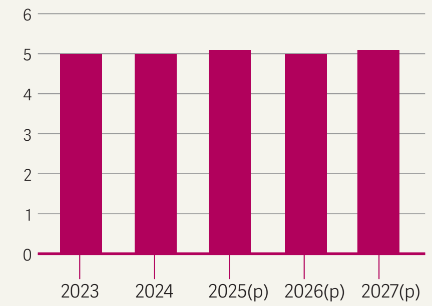
Resilience under pressure

The war in the Middle East in spring 2026 is testing the resilience of the economy. Rising prices for oil, fertilisers, and other inputs are pushing up inflation, reducing household purchasing power, and dampening economic activity. To ease the burden on households, the government has maintained fuel subsidies, putting pressure on public finances and increasing the risk of higher public debt. In addition, disruptions to global supply chains have led to longer delivery times for inputs, while rising interest rates have worsened financing conditions. Weaker global demand has also dampened export prospects.

The local currency (rupiah) has depreciated since the onset of the conflict. This depreciation coincides with widening budget deficits and weakened investor confidence. To stabilise the exchange rate, the central bank has raised the policy rate and intervened in financial markets, although the effects have been limited.

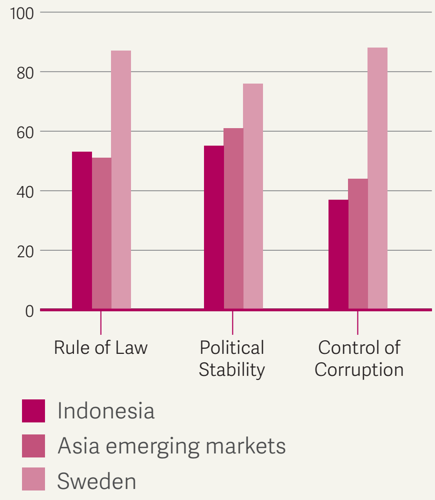
Indonesia

Real GDP growth (constant prices, % per annum)



Source: IMF WEO, Macrobond

Business environment



Ranking from 0 (worst) to 100 (best)

Source: The World Bank, Macrobond

Swedish export to Indonesia

	MSEK
2025	5 111
2024	5 906
2023	6 323
2022	4 913
2021	3 362

Source: SCB

EKN:s exposure

	MSEK
Guarantees	106
Offers	285

Indonesia's diversified energy mix and its role as a net exporter of energy have partly mitigated the impact of the crisis. Domestic coal production dominates energy supply, reducing exposure to rising oil prices. Strong exports of coal and natural gas can also partly offset the deterioration in the current account caused by higher oil prices, thereby reducing vulnerability in the external position.

Foreign exchange reserves have declined but still cover approximately five months of imports, contributing to resilience and providing buffers against continued global uncertainty.

Overall, growth is expected to remain stable at just over five per cent in 2026 and 2027, while inflation is projected to increase slightly to just under three per cent.

Weaker public finances after power shift

The 2024 presidential election was won by Prabowo Subianto. During the campaign, extensive reform proposals were presented, including subsidised school meals, housing initiatives, and ambitious growth targets. Since taking office, public finances have weakened as these reforms have been implemented. A key challenge is low tax revenue in a regional context, which limits fiscal space.

Reforms to increase tax revenues have been initiated, but their effects are expected only in the medium term. The budget deficit has therefore increased and is approaching the statutory ceiling of three per cent of GDP. To sustain the pace of reform, the government has signalled that raising this ceiling may be considered. As a result, confidence in the fiscal framework—which has long served as an important anchor for the economy—risks weakening. Against this backdrop, Moody's and Fitch revised their outlooks from stable to negative in spring 2026.

Over the longer term, Indonesia's exposure to physical climate risks represents a growing burden on public finances. The country has historically been affected by a large number of natural disasters, with flooding being the most frequent. As sea temperatures rise, both the frequency and intensity of extreme weather events are expected to increase, potentially exacerbating storms, floods, and landslides.

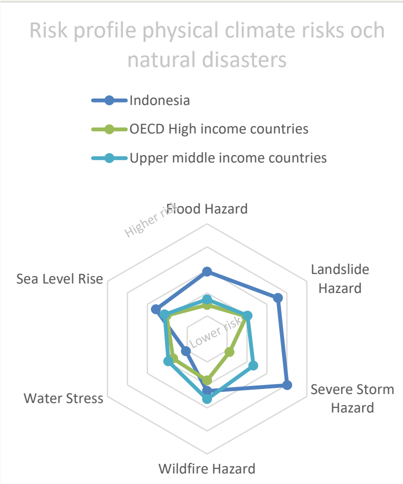
Given the country's high population density, the economic and social consequences could be significant. In the ND-GAIN Index (2024), which measures countries' vulnerability to climate change and their ability to mitigate risks, Indonesia ranks 85th out of 187 countries.

Business environment

In the World Bank's Worldwide Governance Indicators (WGI), Indonesia's scores for economic institutions have improved across several dimensions and are now slightly above the average for emerging and developing economies in Asia. However, the business environment remains challenging and is characterised by extensive bureaucracy, including overlapping regulations, laws, and institutional mandates. Regulations change frequently, and implementation varies across authorities.

Swedish companies exporting to or investing in Indonesia often face high import tariffs, local content requirements, and other trade barriers that hinder market access. The free trade agreement between the EU and Indonesia, expected to be implemented in 2027, has the potential to reduce these barriers and improve conditions for foreign companies, including Swedish firms.

Indonesia



The foregoing chart information was obtained from Verisk Maplecroft*

Corruption remains a challenge, reflected in a deterioration in Transparency International's Corruption Perceptions Index, where Indonesia ranked 109th out of 180 countries in 2025 (down from 85th in 2019). This shift coincided with the pandemic, when large volumes of public support were distributed, as well as with legislative changes in 2019 that critics argue weakened the anti-corruption agency (KPK) and increased the risk of political interference. Increased digitalisation may over time reduce opportunities for corruption, for example in relation to permits, licensing, and customs procedures.

In its business assessments, EKN considers the risk of adverse impacts on human rights. The focus is on potential impacts arising from the operations in which exported goods are used. Key issues include working conditions, child and forced labour, excessive use of force by security forces, indigenous rights, and land rights.

According to Maplecroft's human rights index, Indonesia scores below the average for both OECD high-income countries and upper-middle-income countries. Indigenous rights stand out as one of the areas with the highest risk levels, both in absolute terms and compared with OECD high-income and lower-middle-income countries. This may relate, for example, to land rights, access to natural resources, and the right to self-determination.

For companies, this may result in risks of direct or indirect involvement in vioations of indigenous rights or association with violations committed by third parties.

Risks related to land rights are also significantly higher than in OECD high-income countries. This also applies to risks associated with human rights violations by both public and private security forces, which may be particularly challenging for companies relying on such forces for their own security.

EKN's policy

EKN classifies Indonesia in country risk class 3 (on a scale from 0 to 7). Standard risk assessment applies to all categories of counterparties, meaning there are no predefined restrictions on the issuance of guarantees. Transactions are assessed on their own merits without specific requirements or conditions.

EKN's commitment and experience

EKN's exposure amounts to SEK 393 million. Between 2020 and 2025, EKN issued guarantees for 51 transactions involving 15 exporters, totalling just over SEK 5 billion. The main sectors are transport and construction equipment, as well as telecommunications.

EKN's payment experience is relatively good, with few claims. However, payment delays occur. For guarantees issued between 2020 and 2025, delays have been observed in approximately 10 per cent of cases. The median duration of delays is 140 days, likely influenced by the pandemic. Relatively few transactions result in claims. Over the past five years, EKN has paid claims on four transactions, amounting to just over SEK 17 million. Recovery rates vary but have generally been low.