

# INDONESIA: DRAFT STATE BUDGET 2026

Published on 19 August 2025

## Budget Posture and Macro Assumptions

- **Total state expenditure: around Rp 3,786.5 trillion.**
- **State revenue:** projected to reach Rp 3,147.7 trillion, up about 9.8% compared to the 2025 projection.
- **Budget deficit:** targeted at 2.48% of GDP (around Rp 639 trillion), lower than the 2025 estimate of 2.78% (Rp 662 trillion).
- Macro assumptions used include **10-year government bond yield around 6.9%** and exchange rate **Rp 16,500/USD (Indo Premier)**.

## No New Taxes

The government emphasized that **no new taxes will be introduced in 2026**. Efforts to increase revenue will focus on internal reforms and efficiency of the existing taxation system (Reuters).

## Eight Priority Agendas of the 2026 State Budget Draft (RAPBN 2026)

President Prabowo Subianto outlined eight main focuses in the 2026 RAPBN, with the goal of making Indonesia resilient, self-reliant, and prosperous:

### 1. Food Security

- Total allocation **Rp 164.4 trillion**, including:
  - Rp 53.3 trillion for food reserves and stockpiles.
  - Rp 46.9 trillion for fertilizer subsidies (9.62 million tons).
  - Rp 22.7 trillion for Bulog as stock buffer.

### 2. Energy Security and Transition to Renewable Energy

- Total fiscal support: **Rp 402.4 trillion**, including energy subsidies, tax incentives, renewable energy development, and electricity provision for villages.

### 3. Free Nutritious Meals (MBG)

- Budget: **Rp 335 trillion**, covering 82.9 million students, pregnant women, and toddlers through Nutrition Fulfillment Services.

### 4. Quality Education

- Education allocation: **Rp 757.8 trillion** (the highest in Indonesia's history).

### 5. Quality and Equitable Healthcare

- Allocation: **Rp 244 trillion** for hospital revitalization, stunting handling, free health checks, JKN services, and fully covering health insurance costs for 96.8 million poor and vulnerable people.

### 6. Strengthening the People's Economy

- Strengthening through **Merah Putih Village/Urban Cooperatives**, local MSMEs, affordable financing access (through Himbara banks), and distribution of logistics and basic goods in villages.

## 7. Universal Defense for Sovereignty

- Modernization of defense equipment, strengthening reserves, empowering national strategic industries, and improving soldier welfare.

## 8. Acceleration of Investment and Global Trade

- Acceleration of investment downstreaming worth USD 38 billion (mining, batteries, and others), as well as support for housing development through FLPP, BSPS, and VAT DTP incentives—targeting **770 thousand houses**.

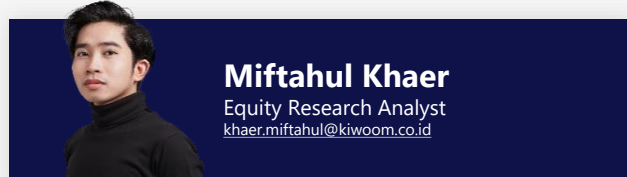
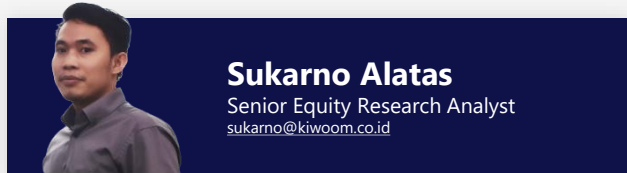
## Brief Summary

Aspect	Information
Expenditure & Revenue	Expenditure Rp 3,787 T, revenue Rp 3,148 T
Deficit	2.48% GDP (~Rp 639 T)
New Taxes	None; focus on efficiency
Main Focus	Food, energy, nutrition, education, healthcare, people's economy, defense, global investment

## Pros and Cons of Analysts/Economists

- Some economists assess the 5.4% target as realistic if the state budget is managed optimally, with an additional 0.3–0.4% growth achievable from this year's base. However, many consider the target still too optimistic given that manufacturing and trade have not recovered, and the weak purchasing power of the middle class. It should be noted that over the last 10 years, Indonesia's economic growth has averaged only 4.28% and has never exceeded 5.4%, with the highest achievement being 5.3% in 2022 due to a commodity price boom. Without a similar external factor, structural growth momentum from manufacturing and consumption is not strong enough to support that figure. Indonesia's PMI manufacturing trend over the past year also shows a cycle full of challenges and instability: it stayed in the expansion zone only in the first two months of this year, while from March to June 2025 activity weakened and entered contraction zone (below 50) for three consecutive months; reflecting structural pressure on the GDP target.
- Indef reminds of risks from weak state revenue, high debt burden, a still-vulnerable exchange rate, and expensive government bond yields. Investment efficiency also needs to be improved by reducing ICOR from >6 to 3–4 to become more productive. Some highlight challenges of high energy, logistics, and regulatory costs, though they welcome the government–private synergy through "Indonesia Incorporated." Business circles emphasize the state budget as the DNA of national growth but warn that without strategic synergy and improvements in the investment climate, the target could be difficult to achieve.
- Overall, the 5.4% projection is still viewed as ambitious (even compared to the 8% target championed by President Prabowo during his campaign): while the government is optimistic about investment, exports, and the state budget, some economists believe realization will depend on efficiency, purchasing power, and global stability.

## Kiwoom Research Team



### HEAD OFFICE

Treasury Tower 27th Floor Unit A, District 8 Kawasan SCBD Lot 28,  
Jl.Jend.Sudirman Kav 52-53, Jakarta Selatan 12190

Tel : (021) 5010 5800  
Fax : (021) 5010 5820  
Email : [cs@kiwoom.co.id](mailto:cs@kiwoom.co.id)

PT Kiwoom Sekuritas Indonesia is licensed and supervised by the Financial Services Authority (OJK)

### OTHER DISCLOSURES

All Kiwoom's research reports made available to clients are simultaneously available on our own website <http://www.kiwoom.co.id/>. Not all research content is redistributed, e-mailed or made available to third-party aggregators. For all research reports available on a particular stock, please contact your sales representative. Any data discrepancies in this report could be the result of different calculations and/or adjustments.

### DISCLAIMER

This report has been prepared and issued by PT Kiwoom Sekuritas Indonesia. Information has been obtained from sources believed to be reliable but Kiwoom Securities do not warrant its completeness or accuracy. Forward-looking information or statements in this report contain information that is based on forecast of future results, estimates of amounts not yet determinable, assumptions, and therefore involve known and unknown risks and uncertainties which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations. To the fullest extent allowed by law, PT Kiwoom Sekuritas Indonesia shall not be liable for any direct, indirect or consequential losses, loss of profits, damages, costs or expenses incurred or suffered by any person or organization arising from reliance on or use of any information contained on this report. The information that we provide should not be construed in any manner whatsoever as, personalized advice. No mention of a particular security in this report constitutes a recommendation to buy, sell or hold that or any security, or that any particular security, portfolio of securities, transaction or investment strategy is suitable for any specific person. This report is being supplied to you solely for your information and may not be reproduced by, further distributed to or published in whole or in part by, any other person.