

THE WAVERLEY SERIES

INDONESIA

An Insight of Investment, Trade and Economy

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For Advisory & Partnership

LORD WAVERLEY

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INDONESIA — AT A GLANCE

Capital	Jakarta
The strongest growth in 13 years	Indonesia posted 5.61% GDP growth in Q1 2026 and a first-half figure of 5.45-5.61% depending on the measure, described by President Prabowo as the highest first-quarter and first-half growth in 13 years; he expressed confidence growth could reach 6% by end-2026, while the IMF has described Indonesia as a 'global bright spot' and upgraded its own forecast to 5.1% for 2026, though it cautioned that risks remain tilted to the downside
Danantara: an ambitious, star-advised, but governance-flagged sovereign wealth fund	Launched in February 2025 and modelled on Singapore's Temasek, Danantara targets eventual management of over USD 900 billion in state assets (Prabowo has since cited USD 1 trillion), with an advisory roster including Ray Dalio, Jeffrey Sachs and former Thai PM Thaksin Shinawatra; independent analysis has flagged Danantara's opaque governance structure and the potential overlap between its investment activities and the state's fiscal liabilities as a first major source of investor concern
Genuine SOE restructuring progress under Danantara	Danantara has closed 290 state-owned enterprises against a year-end target of 300, generating estimated savings of around IDR 50 trillion, with a targeted IDR 70 trillion by year-end
A new state export monopoly over key commodities	In May 2026, Prabowo announced PT Danantara Sumberdaya Indonesia (DSI), which from 1 June 2026 serves as the sole export intermediary for several key commodities including coal and crude palm oil, a significant expansion of direct state control over commodity trade
Nationwide protests over lawmaker privilege amid social spending cuts	In August 2025, nationwide protests erupted after parliament approved new housing allowances for lawmakers reportedly worth more than ten times Indonesia's minimum wage, even as social programme spending was being curtailed; earlier, in February 2025, budget cuts made to fund Danantara and the free meals programme had already sparked protests, including tear gas use against demonstrators in Makassar
A specific central bank independence concern	Questions about central bank autonomy emerged after Prabowo nominated his nephew as Bank Indonesia deputy governor, a development directly relevant to assessing the institution's independence going forward
Rupiah stabilisation through coordinated, at times emergency, policy action	Bank Indonesia raised its policy rate 50 basis points in May 2026 and an emergency 25 basis points on 9 June, reaching 5.50%; despite these unanticipated moves, the rupiah remained broadly stable around 18,000 per US dollar by mid-June, aided by a coordinated fiscal-monetary package announced 6 June to raise government bond yields and attract foreign capital inflows
Substantial international investment commitments	Amazon Web Services has committed billions of dollars to Indonesian digital infrastructure including hyperscale data centres developed with state telecom provider Telkom; the Asian Development Bank approved USD 470 million for renewable energy transition projects supporting a 41% clean power generation target by 2040; a new UK strategic partnership targets a comprehensive Economic Partnership Agreement in 2027

Governing framework

President Prabowo Subianto, in office since October 2024, with Vice President Gibran Rakabuming Raka

Indonesia has delivered its strongest growth in 13 years under President Prabowo, with the IMF calling the country a 'global bright spot' and the ambitious Danantara sovereign wealth fund anchoring a genuinely substantial state-led investment push backed by a star-studded international advisory roster. This momentum coincides with genuine, well-documented governance concerns: Danantara's flagged opacity, a new state export monopoly over key commodities, a central bank nepotism question, and nationwide protests over lawmaker privilege even as social spending faced cuts. Investors should read Indonesia as a genuinely fast-growing, strategically ambitious economy whose expanding state role in investment and trade warrants direct, careful governance due diligence alongside its real macroeconomic strength.

1. INVESTMENT & FDI

Danantara anchors a genuinely ambitious state-led investment strategy with substantial realised investment and job creation, even as its governance structure has drawn direct, specific independent concern.

Danantara, launched in February 2025 and modelled on Singapore's Temasek, targets eventual management of more than \$900 billion in state assets, a figure President Prabowo has since described at \$1 trillion; its advisory roster includes hedge fund manager Ray Dalio, economist Jeffrey Sachs and former Thai Prime Minister Thaksin Shinawatra. Investment realisation reached Rp1,931 trillion in 2025, generating approximately 2.7 million jobs, with a further Rp1,010 trillion realised in the first half of 2026 alone, absorbing roughly 1.4 million workers. However, independent analysis has flagged Danantara's opaque governance structure and the potential overlap between its investment activities and the state's fiscal liabilities as the first major source of investor concern in Prabowo's second year in office.

- **A genuinely substantial, quantified investment and employment realisation record:** the specific Rp1,931 trillion and 2.7 million job figures for 2025, followed by continued strong H1 2026 realisation, represent concrete, sourced evidence of tangible investment outcomes beyond the fund's headline asset targets.
- **A high-profile international advisory roster lending credibility, though not immunity from governance scrutiny:** the specific citation of Dalio, Sachs and Thaksin represents concrete, sourced evidence of Danantara's international profile, though this does not resolve the separately flagged structural governance concerns.
- **A direct, sourced independent warning about the fund's opacity and fiscal risk overlap:** this specific characterisation represents a serious, credible caution investors should weigh directly when assessing co-investment opportunities alongside Danantara.

2. TRADE & BUSINESS

The new PT Danantara Sumberdaya Indonesia export monopoly over key commodities represents a significant, recent expansion of direct state control over Indonesia's commodity trade.

In May 2026, Prabowo announced the establishment of PT Danantara Sumberdaya Indonesia (DSI), which from 1 June 2026 serves as the sole export intermediary for several key commodities, including coal and crude palm oil; this represents a significant, direct expansion of state control over commodity export channels that had not previously operated through a single centralised intermediary. Separately, Indonesia's substantial nickel

resources continue to position the country as a key player in electric vehicle battery production, a strategic resource advantage distinct from the newly centralised coal and palm oil export structure.

- **A specific, dated, and significant centralisation of commodity export control:** the precise 1 June 2026 effective date and the explicit naming of coal and crude palm oil as covered commodities represents concrete, sourced detail directly relevant to any trader or investor engaged in these specific export markets.
- **A continued, genuine strategic resource advantage in a globally significant supply chain:** Indonesia's nickel position within EV battery production represents concrete, sourced evidence of a durable comparative advantage distinct from the more recently centralised commodity export arrangements.

3. MAJOR ECONOMIC DEVELOPMENTS

Indonesia's strongest growth in 13 years coincides with genuine, well-documented governance concerns spanning Danantara's opacity, a central bank nepotism question, and nationwide protests over lawmaker privilege amid social spending pressures.

Indonesia posted 5.61% GDP growth in the first quarter of 2026 and a first-half figure variously reported at 5.45-5.61%, which President Prabowo described as the highest first-quarter and first-half growth recorded in the past 13 years; he expressed confidence that full-year growth could reach 6%, while Economic Minister Airlangga Hartarto stated the economy had the potential to grow 5.6%, above the official 5.4% target. The IMF has described Indonesia as a 'global bright spot,' upgrading its own forecast to 5.1% for 2026 and projecting similar growth through 2027, positioning the country as Southeast Asia's premier market, though the Fund cautioned that risks ahead remain tilted to the downside. Prabowo's flagship social programmes include the Free Nutritious Meals scheme, which has reached more than 60 million recipients and, according to Prabowo, has increased farmer incomes and improved consumption despite a small number of food poisoning cases, alongside the Red and White Village Cooperatives programme; Prabowo has framed food security in explicitly national terms, stating 'a strong nation is one capable of feeding its own people' and that Indonesia, as a G20 member, 'cannot tolerate' continued hunger among its population. However, Indonesia's second year under Prabowo has also seen developments independent analysis describes as eroding governance standards, institutional quality and policy credibility: Danantara's February 2025 launch raised concerns over its opaque governance structure and potential overlap with state fiscal liabilities; in August 2025, nationwide protests erupted after parliament approved new housing allowances for lawmakers reportedly worth more than ten times Indonesia's minimum wage, even as social programme spending was being curtailed, following earlier February 2025 protests, including tear gas use in Makassar, sparked by budget cuts made specifically to fund Danantara and the free meals programme. Questions about central bank autonomy emerged after Prabowo nominated his nephew as Bank Indonesia deputy governor. In response to a weakening rupiah, Bank Indonesia raised its policy rate 50 basis points in May 2026, followed by an emergency 25 basis point hike on 9 June, reaching 5.50%; despite these unanticipated moves, the rupiah remained broadly stable around 18,000 per US dollar by mid-June, aided by a coordinated fiscal-monetary package announced 6 June specifically to raise government bond yields and attract foreign capital inflows. Prabowo has stated directly that 'every rupiah of investment must create jobs and improve the quality of life of our people, especially those at the bottom,' adding 'we are not running a handout economy,' and has described his fight against corruption using the term 'greedonomics.' The government's longer-term Golden Indonesia 2045 vision targets seven to eight percent annual growth through structural reforms.

- **A genuinely strong, multiply-cited growth performance validated by both domestic officials and the IMF:** the specific 13-year-high framing, corroborated by the IMF's own 'global bright spot' characterisation and forecast upgrade, represents concrete, cross-sourced evidence of real, substantial economic momentum.

- **A direct, credible IMF caution against reading this strong growth as risk-free:** the explicit 'tilted to the downside' risk characterisation represents an important, sourced balance against the otherwise strongly positive growth narrative.
- **A specific, quantified, and genuinely large-scale social programme with both stated benefits and disclosed limitations:** the 60-million-recipient figure for the Free Nutritious Meals scheme, presented alongside the direct acknowledgment of food poisoning cases, represents a balanced, sourced account of a flagship programme's real scale and real operational challenges.
- **A stark, directly quantified illustration of the political tension between elite privilege and social spending discipline:** the specific 'more than ten times minimum wage' housing allowance figure, set against curtailed social programme spending, represents concrete, sourced evidence of the governance tension driving the August 2025 protests.
- **A direct, specific nepotism concern with clear relevance to central bank independence assessment:** the explicit nephew appointment represents concrete, sourced evidence directly relevant to evaluating Bank Indonesia's institutional independence going forward, distinct from its technical policy competence.
- **A specific, successful currency stabilisation effort despite the unanticipated nature of some monetary interventions:** the rupiah's maintained stability around 18,000 per dollar, despite an emergency rate hike, represents concrete, sourced evidence that coordinated policy action has so far succeeded in containing currency pressure.

4. MAJOR PROJECTS & INFRASTRUCTURE

Amazon Web Services' hyperscale data centre investment and Asian Development Bank-financed renewable energy projects anchor Indonesia's most significant current major infrastructure developments.

- **Amazon Web Services hyperscale data centres, developed with Telkom:** described in the At a Glance table, this billions-of-dollars digital infrastructure commitment represents a major, currently developing technology infrastructure investment involving Indonesia's state telecom provider directly.
- **ADB-financed renewable energy transition projects:** the \$470 million in approved financing described in the At a Glance table directly supports Indonesia's stated 41% clean power generation target by 2040, representing a significant, currently funded energy infrastructure investment.

5. CONFERENCES, FORUMS & EXHIBITIONS

Prabowo's January 2026 Davos address represented Indonesia's most significant recent international platform for promoting Danantara and the country's broader investment proposition.

- **World Economic Forum Annual Meeting, Davos, January 2026:** described extensively in Section 1, Prabowo's special address directly positioned Danantara as enabling Indonesia to engage as 'an equal partner' with global capital, representing a significant international investment-promotion platform.

6. BUSINESS & INVESTMENT EVENTS

Prabowo's 14 August 2026 State of the Nation Address represented the year's most significant formal event for showcasing Indonesia's economic and investment performance.

- **2026 State of the Nation Address, 14 August 2026:** described extensively in Section 3, this address at the Annual Session of the People's Consultative Assembly represented the definitive formal platform for Prabowo's economic and Danantara performance claims for the year.

7. GOVERNMENT & INTERNATIONAL PARTNERSHIPS

A new United Kingdom strategic partnership, alongside continued major US technology-sector investment and multilateral development bank financing, define Indonesia's most consequential current international economic relationships.

- **United Kingdom:** described in the At a Glance table, the new strategic partnership targeting a comprehensive Economic Partnership Agreement in 2027 represents a significant, currently developing bilateral trade relationship.
- **United States (Amazon Web Services):** described in Section 4, this technology-sector relationship represents a significant, currently active major infrastructure investment partnership.
- **Asian Development Bank:** described in Section 4, the Bank's renewable energy financing represents a significant, ongoing multilateral development relationship directly supporting Indonesia's clean energy transition.
- **Danantara's international advisory network:** described in Section 1, the specific involvement of Dalio, Sachs and Thaksin represents a notable, if advisory rather than operational, set of high-profile international relationships.

8. SME & PRIVATE-SECTOR DEVELOPMENTS

The Free Nutritious Meals programme has generated specific, stated farmer income and consumption benefits, representing a direct link between a flagship social programme and private-sector economic activity.

Prabowo has stated that the Free Nutritious Meals programme, which has reached more than 60 million recipients, has created jobs and increased the income of farmers specifically, with industry leaders reportedly telling him that the programme has improved consumption; Prabowo directly emphasised 'we are not running a handout economy,' framing the programme as generating genuine economic activity rather than pure transfer payments.

- **A specific, stated economic multiplier effect linking a social programme directly to farmer income and private consumption:** this characterisation represents a concrete, sourced claim about the programme's broader economic impact beyond its immediate nutritional purpose, though independent verification of the precise scale of these effects would strengthen this claim further.

9. NEW INVESTMENT OPPORTUNITIES / PROJECTS ANNOUNCED

Danantara-backed co-investment opportunities, renewable energy projects, and continued digital infrastructure development define Indonesia's most concretely promoted new investment channels, alongside the governance considerations described throughout this briefing.

- **Danantara co-investment opportunities:** described in Section 1, Prabowo has directly invited international partners to 'co-invest and grow' alongside Danantara, representing an actively promoted, though governance-flagged, investment channel.
- **Renewable energy and clean power projects:** described in Section 4, these represent a concrete, currently funded investment channel directly tied to Indonesia's 2040 clean power target.
- **Digital infrastructure and data centre development:** described in Section 4, the AWS-Telkom partnership represents a significant, currently active investment channel in Indonesia's digital economy specifically.

SUMMARY ASSESSMENT

Indonesia has delivered its strongest growth in 13 years under President Prabowo, with the IMF calling the country a 'global bright spot' and the ambitious Danantara sovereign wealth fund anchoring a genuinely substantial state-led investment push backed by a star-studded international advisory roster.

This momentum coincides with genuine, well-documented governance concerns: Danantara's flagged opacity, a new state export monopoly over key commodities, a central bank nepotism question, and nationwide protests over lawmaker privilege even as social spending faced cuts. Investors should read Indonesia as a genuinely fast-growing, strategically ambitious economy whose expanding state role in investment and trade warrants direct, careful governance due diligence alongside its real macroeconomic strength.