

Indonesian macroeconomic developments and policies: recent condition and the outlook for 2005

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Abstrak

Despite the challenges encountered in 2004, Indonesia's economy sustained a favorable performance and is predicted to show a stronger recovery, along with improvements in the components of GDP in 2005. Mutually supportive monetary and fiscal policies have helped maintaining the momentum of economic recovery. Reflecting the progress achieved in 2004 and looking forward to the economic prospects in 2005, at least four main structural challenges ahead be addressed, namely maintaining macroeconomic stability, dealing with unemployment and poverty, financing economic growth without loosening the efforts of maintaining macroeconomic stability, and confronting challenges concerning banking consolidation. Some points can be iterated from the recent progress and from the 2005 prospects for the Indonesian economy. Economic progress in 2004 is the result of Indonesia's important efforts in laying the foundation for a durable improvement of macroeconomic fundamentals. However, much remains to be done. Nonetheless the solid macroeconomic policy coordination between fiscal and monetary policies provides a sound basis to strengthen economic growth. Furthermore, a consistent implementation of the structural reform programs will allow economic growth to reach approximately 5.5% this year and will establish the basis for real growth rates of 6-7% over the medium-term. The support from the international community, both public and private, will also be a key to further strengthen Indonesian's growth prospects.