

CHALLENGES AND OPPORTUNITIES FOR INDONESIA'S 2025 ECONOMY AMID DECLINING HOUSEHOLD CONSUMPTION

Nidya Waras Sayekti¹ & Anugrah Juwita Sari²

Abstract

Indonesia's economy in 2025 will remain influenced by the conditions of 2024, with several internal and external challenges to address to seize growth opportunities. This article examines the challenges and opportunities of the Indonesian economy in 2025 amid weakening household consumption. The decline in household consumption growth in 2024 poses a significant challenge, given its substantial contribution to Indonesia's Gross Domestic Product (GDP). The pressure on household consumption stems from various factors, including unemployment, economic inequality, food inflation, and dependency on imported food. Additionally, global threats such as geopolitical conflicts and trade wars exacerbate the situation. On the other hand, opportunities exist in areas such as the streaming of minerals and coal, improving investment strategies, and strengthening macroeconomic stability. Commission XI and Commission XII of DPR RI need to advocate pro-household consumption policies, enhance food resilience, and prioritize strategic investments supporting sustainable development. These efforts are expected to improve household purchasing power, maintain economic stability, and promote inclusive economic growth by 2025.

Introduction

The weakening growth of household consumption (KRT), the largest contributor to Indonesia's gross domestic product (GDP) at over 50 percent, remains a pressing issue for the economy in 2025 (Avisena, 2024). Data from the Cen-

tral Statistics Agency (BPS) reveals that in the first quarter of 2024, KRT grew by 4.91 percent, contributing 54.93 percent to GDP (Avisena, 2024). This growth was higher than in the first quarter of 2023, which stood at 4.54 percent (LP EM FEB UI, 2023).



PUSAKA BKD



9 772088 235001

¹ Associate Legislative Analyst in the Field of Economy, Finance, Industry, and Development at the Center for Parliamentary Analysis, Expertise Agency of DPR RI, e-mail: nidya.ws@dpr.go.id
² Junior Legislative Analyst in the Field of Economy, Finance, Industry, and Development at the Center for Parliamentary Analysis, Expertise Agency of DPR RI, e-mail: anugrah.sari@dpr.go.id

A similar trend was observed in the second quarter of 2024, with KRT growth slightly increasing to 4.93 percent, contributing 54.53 percent to GDP. However, despite the increase in KRT growth, the GDP contribution in the second quarter of 2024 was lower than in the first quarter. This condition was attributed to normalizing economic activities following the general elections. By the third quarter of 2024, the slowing trend persisted, with KRT's growth stagnating at 4.91 percent and its GDP contribution declining further to 53.08 percent.

This weakening reflects mounting pressure on household purchasing power, driven by job terminations, slow income recovery, and rising living costs, including high rice prices and persistent food inflation (Avisena, 2024). Additionally, concerns about an impending increase in the value-added tax (VAT) rate in early 2025 have prompted households to hold back on consumption. This article explores the challenges and opportunities Indonesia can leverage in 2025 amidst the weakening KRT, aiming to identify strategies for sustaining economic growth and resilience.

Challenges to Indonesia's Economy in 2025

2025 the global economy is expected to face complex challenges, including trade wars and geopolitical conflicts (Lestari, 2024). According to the Organization for Economic Co-operation and Development (OECD), the global economy remains potentially stable, with a projected growth rate of 3.3 percent annually for the next two years. However, the OECD warns that ris-

ing trade tensions and protectionist policies could disrupt supply chains, trigger energy price hikes, and negatively affect economic growth. Geopolitical conflicts pose significant risks to trade and energy markets, potentially causing surges in energy prices and inflation (Lestari, 2024). These price increases could elevate the cost of daily necessities, reducing household purchasing power, particularly among low-income groups.

Domestically, Indonesia faces numerous challenges, including declining purchasing power, economic inequality, unemployment, and a reliance on imported food. Public purchasing power remains under pressure, particularly in middle-income groups (Masitoh, 2024). Data from the Permata Institute for Economic Research (PIER) indicates a decline in the index for durable goods purchases among income groups earning IDR2.1-3 million, IDR3.1-4 million, and above IDR5 million (Masitoh, 2024). This decline in durable goods purchases underscores the weakening of household consumption.

Unemployment also remains a pressing issue. According to BPS data, the open unemployment rate in August 2024 was 4.91 percent, a decline of 0.41 percent compared to August 2023. However, data from the International Monetary Fund places Indonesia's unemployment rate as the highest among six Southeast Asian countries, reaching 5.2 percent as of April 2024. Furthermore, layoffs persist, threatening various industries. Between January and August 2024, 46,240 workers were affected by layoffs, according to the Ministry of Manpower (Puspita, 2024).

Economic inequality presents another challenge. BPS data for March 2024 report a Gini ratio of 0.379, a slight improvement compared to March 2023 (0.388) and September 2022 (0.381) (BPS, 2024). Despite this improvement, the Gini ratio remains within the moderate inequality range (0.3–0.5).

Additionally, climate change and dependence on imported food exacerbate economic vulnerabilities. The Meteorology, Climatology, and Geophysics Agency predicts that the La Niña phenomenon will persist until 2025, potentially causing floods that could damage agricultural land and threaten food production, especially rice. As rice accounts for 30 percent of domestic food needs, its production could decline significantly without swift mitigation measures (Sofia, 2024).

Dependence on imported food further compounds the issue. BPS data reveals that Indonesia imported 3.48 million tons of rice from Thailand, Vietnam, Myanmar, Pakistan, and Cambodia as of October 2024. Projections suggest that rice imports 2024 could reach 5.17 million tons, the highest on record. This figure excludes imports of other food commodities such as wheat, corn, and sugar (Sofia, 2024).

To address these challenges, Indonesia needs to strengthen its national food reserves through improved storage capacity, efficient distribution, and increased transparency and accountability in food management. Given Indonesia's diverse food sources, including grains and tubers, food diversification needs to also be prioritized to reduce reliance on rice.

Opportunities for Indonesia's Economy in 2025

Despite various challenges, Indonesia still has significant opportunities to boost economic growth in 2025. Head economists at PIER project that Indonesia's economic growth will reach approximately 5.15 percent in 2025 (Purwowidhu, 2024). This growth is expected to be driven by KRT and investment. Inflation is projected to remain within Bank Indonesia's target of 3.12 percent, while the 2025 State Budget Plan sets the inflation target at 2.5 percent. These conditions indicate that price pressures on goods and services remain manageable. The rupiah exchange rate is also expected to strengthen, ranging between IDR15,200 and IDR15,770 per USD1, supported by inflows of direct and portfolio investments (Fadila, 2024).

Investment is anticipated to continue growing, fueled by lower loan costs and fiscal policies to support the growth of MSMEs. According to PIER, investment remains a key driver of Indonesia's economic growth, evidenced by a 4.43 percent increase in realized investments in the second quarter of 2024 (Purwowidhu, 2024).

The downstreaming of minerals and coal also holds significant potential for economic growth in 2025. Long-term projections from the Ministry of Energy and Mineral Resources estimate that by 2040, around 91 percent of downstream investment value—amounting to USD566.7 billion—will be in the mineral sector (Kurnia & Perdana, 2024). The Ministry of Industry has prioritized the downstream development of nickel, copper, and bauxite resources. Downstream

nickel alone is projected to contribute USD14.2 billion to GDP, create 169,000 jobs, attract investments of up to USD42.5 billion, and boost export potential to USD32.1 billion (Lestari, 2024).

To fully leverage these opportunities, the government needs to foster synergy among all stakeholders, continue structural reforms, enhance the investment climate, strengthen industrial competitiveness, and optimize the sustainable utilization of natural resources. Fiscal policies should support strategic sectors while expanding social protection.

The government needs to safeguard economic stability by facilitating business financing, encouraging private and state-owned enterprises to enhance value-added and product competitiveness, and promoting innovation through technological adoption to improve productivity. Digital transformation should be accelerated to foster financial inclusion, expand market access, and improve efficiency across sectors, creating new, inclusive, and innovative sources of growth (Anggela, 2024).

Additionally, efforts to increase investments, strengthen competitiveness, create jobs through real-sector economic development, maintain household purchasing power, and diversify exports are crucial. By maintaining political and economic stability, Indonesia can seize key opportunities in 2025 to enhance public welfare and realize inclusive economic growth.

Conclusion

The weakening growth of household consumption (KRT), a

major contributor to Indonesia's GDP in 2024, reflects the pressures on purchasing power caused by various domestic and global factors. Economic inequality, unemployment, dependence on imported food, and the threats posed by climate change exacerbate the situation. Meanwhile, external risks such as geopolitical conflicts and trade wars further pressure the national economy's stability.

Despite these challenges, significant opportunities remain through the downstreaming of minerals and coal, strategic investment initiatives, and the strengthening of macroeconomic stability. Commission XI and Commission XII of DPR RI need to advocate pro-household consumption policies, enhance food resilience, and prioritize strategic investments to support sustainable development. These efforts are expected to improve household purchasing power, maintain economic stability, and foster inclusive and sustainable economic growth in 2025.

References

- Anggela, N. L. (2024, December 10). Bisnis Indonesia economic outlook 2025: Sinergi demi pertumbuhan ekonomi RI. *Bisnis.com*. <https://ekonomi.bisnis.com/read/20241210/9/1822994/bisnis-indonesia-economic-outlook-2025-sinergi-demi-pertumbuhan-ekonomi-ri>.
- Avisena, M. I. R. (2024, December 9). Bergantung pada daya beli yang kian rapuh. *MediaIndonesia.com*. <https://epaper.mediaindonesia.com/epaper/2024-12-09>.
- Badan Pusat Statistik. (2024, July 1). *Gini ratio Maret 2024 tercatat*

sebesar 0,379. BPS.go.id. <https://www.bps.go.id/id/pressrelease/2024/07/01/2371/gini-ratio-maret-2024-tercatat-sebesar-0-379-.html>

Fadila, S. N. (2024, December 3). Pertumbuhan ekonomi Indonesia diproyeksikan 5,15% di 2025. *Kontan.co.id*. <https://nasional.kontan.co.id/news/pertumbuhan-ekonomi-indonesia-di-proyeksikan-515-di-2025>

Kurnia, E., & Perdana, A. P. (2024, December 4). Investasi ditargetkan tumbuh 10 persen pada 2025, hilirisasi minerba jadi andalan. *Kompas.id*. <https://www.kompas.id/artikel/pemerintah-targetkan-kenaikan-investasi-10-persen-di-2025-hilirisasi-minerba-jadi-andalan>.

Lestari, R. (2024, December 7). Prospek 2025 tahun ujian bagi ketahanan ekonomi global. *Bisnis.com*. <https://koran.bisnis.com/read/20241207/442/1822313/prospek-2025-tahun-ujian-bagi-ketahanan-ekonomi-global>.

LPEM FEB UI. (2023). *Seri analisis makroekonomi: Indonesia economic outlook Q3-2023*. LPEM.org. [https://lpem.org/wp-content/](https://lpem.org/wp-content/uploads/2023/08/IEO-Q3-2023-ID.pdf)

[uploads/2023/08/IEO-Q3-2023-ID.pdf](https://lpem.org/wp-content/uploads/2023/08/IEO-Q3-2023-ID.pdf)

Masitoh, S. (2024, December 9). Ekonom soroti daya beli masih turun, fenomena kelas menengah menyusut masih ada. *Kontan.co.id*. <https://nasional.kontan.co.id/news/ekonom-soroti-daya-beli-masih-turun-fenomena-kelas-menengah-menyusut-masih-ada>

Purwowidhu, C. S. (2024, September 9). *Ekonom: RAPBN 2025 optimis dan realistis*. Kemenkeu.go.id. <https://mediakeuangan.kemenkeu.go.id/article/show/ekonom-rapbn-2025-optimis-dan-realistis>

Puspita, M. D. (2024, September 23). Hingga Februari 2024, jumlah pengangguran di Indonesia tembus 7,2 juta orang. *Tempo.co*. <https://www.tempo.co/ekonomi/hingga-februari-2024-jumlah-pengangguran-di-indonesia-tembus-7-2-juta-orang--6750>

Sofia, H. (2024, December 1). Proyeksi tantangan dan harapan ekonomi Indonesia 2025. *AntaraNews.com*. <https://www.antaranews.com/berita/4504209/proyeksi-tantangan-dan-harapan-ekonomi-indonesia-2025>