



# Progress of President Prabowo's First Ten Months

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*From Inauguration to Indonesia's 80th Independence Day:  
What President Prabowo Did Right*

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*This independent report is based on publicly available sources and cited data current as of August 2025. All programme statistics, projections, and assessments are subject to change. For operational details or the most recent updates, readers should refer to official government releases.*

## 1. Background: macro-economic environment

- **High-interest-rate environment.** During 2024 Indonesia kept its policy interest rate high to defend the rupiah and contain inflation. The ASEAN+3 Macroeconomic Research Office (AMRO) notes that in 2024 Bank Indonesia (BI) used a *prudent interest-rate policy* together with foreign-exchange interventions to control inflation and support the rupiah. The rate was gradually cut from 6.25% to 5.75% in early 2025 because inflation was below the target band and the rupiah exchange rate remained stable. BI subsequently lowered the BI Rate to 5.25% on 16 July 2025 to support slowing growth, emphasising that low inflation made the move possible. Nevertheless, borrowing costs stayed elevated relative to pre-pandemic levels.
- **Expansionary fiscal stance.** AMRO observes that President Prabowo’s government widened the budget deficit to 2.3 % of GDP in 2024 to accelerate infrastructure projects and introduced a free nutritious meal programme and subsidies for low-income households in 2025. This expansionary spending is a deliberate counter-cyclical response to high interest rates and slowing private investment.
- **GDP growth vs. leading indicators.** Indonesia’s GDP grew 4.87 % yoy in Q1 2025—the slowest pace in three years—prompting BI to cut rates. Yet Q2 2025 GDP growth surprised at 5.12 % yoy, the fastest since Q2 2023. The result contrasted with leading indicators: S&P Global’s manufacturing Purchasing Managers’ Index (PMI) fell to 46.9 in June 2025 (below the 50 neutral mark) and had been declining since early 2025. Economists quoted by Business Indonesia warned that the persistent PMI contraction signals macro-economic pressure and that bankruptcy in labour-intensive industries could jeopardise employment. Another Reuters piece noted that auto sales, foreign direct investment and manufacturing activity were weak, raising questions about the credibility of the Q2 GDP figure. Understanding this divergence requires examining the structure of growth and the impact of President Prabowo’s programme.

## 2. Key programmes launched during the first ten months

Programme	Launch / major milestones	Evidence of progress (Aug 2025)	Economic significance
<b>National Transformation Strategy</b>	Announced at inauguration (Oct 20 2024) and shaped through eight cabinet plenary meetings by Aug 2025.	President Prabowo asserted that the strategy’s initial 10-month implementation “works” despite global turmoil.	Provides a framework for rapid decision-making and underscores the administration’s intention to deliver quick results while maintaining unity between ministries.
<b>Free Nutritious Meal Programme (Makan Bergizi Gratis – MBG)</b>	Launched January 2025; first stage cost ≈71 trillion rupiah (~US\$4.39 bn) and targeted	By late July 2025 the programme had served 7.37 million beneficiaries through 2,375 community kitchens and aimed to reach 20 million by	By purchasing food from smallholder farmers and hiring cooks, MBG injects cash into rural supply chains,

	schoolchildren and pregnant women.	17 Aug. Prasasti Center notes that the scaled-up IDR 100-trillion budget (scenario-based) is projected to create ≈185,000 jobs, reduce poverty by 0.19 percentage points and add 0.7 percentage points to GDP growth in 2025.	stimulates MSME demand and reduces household food expenditure. It acts as fiscal stimulus during a high-interest-rate environment and enhances human capital by tackling malnutrition.
<b>Free Health Screening (Cek Kesehatan Gratis – CKG)</b>	Launched 10 Feb 2025.	By 6 Aug 2025 it had provided free health examinations to 17 million citizens, with a target of 20 million participants by 17 Aug. The programme also started screening at schools and planned to cover Indonesia's entire population (~280 million people). The government was constructing 22 hospitals in remote areas, of which 12–15 was expected to open within the year.	Early detection of disease improves labour productivity and reduces long-term healthcare costs. Construction of hospitals and increased demand for medical services support job creation and stimulate investment in remote regions.
<b>Three-Million Homes (Quick Results Housing)</b>	Announced August 2025.	Aims to build or renovate 3 million homes (1 million each in villages, cities and coastal areas) to address 9.9 million homeless families and 26.9 million families living in uninhabitable housing. The plan includes renovating 2 million village homes and building new houses in urban and coastal areas.	Housing construction boosts the construction sector, creates jobs and reduces regional inequality. Better housing improves health outcomes and productivity.
<b>Food Security &amp; Reserves</b>	Ongoing since early 2025.	According to Indonesia's state logistics agency BULOG, rice stockpiles reached a historic high of 4 million tons, a level not seen before in the country's official records. This achievement reflects the government's strategic	Record reserves stabilise food prices and reduce inflation risk. Purchasing from farmers raises farm incomes and supports rural livelihoods, while strong reserves help

		<p>emphasis on ensuring food security as a pillar of national independence. These figures and statements were reported by ANTARA News and Indonesia Business Post on August 6-7, 2025, underscoring the administration's success in reinforcing the nation's food reserves through cross-ministerial collaboration and sustained policy focus.</p>	<p>the MBG programme avoid supply shocks.</p>
<p><b>Strategic Investment Programme</b></p>	<p>In Q2 2025, total realized investment reached IDR 477.7 trillion (11.5% YoY), marking steady momentum despite global instability.</p>	<p>In the first half of 2025, Indonesia's robust investment climate led to the creation of over 665,000 new jobs, with realized domestic investment climbing to IDR 275.5 trillion—reflecting strong homegrown confidence. Foreign Direct Investment amounted to IDR 202.2 trillion, driven largely by top contributors from Singapore, Hong Kong, China, the US, and Malaysia. Notably, 50.3% of these investments flowed to regions beyond Java, marking a shift towards more balanced, nationwide growth.</p>	<p>These inflows strengthen GDP growth drivers, deepen domestic industrial capabilities, and enhance Indonesia's role in global value chains—while accelerating renewable energy adoption and infrastructure development crucial for long-term economic resilience and sustainability.</p>

### 3. How these programmes accelerate growth under a high-interest-rate regime

1. **Fiscal stimulus offsets tight monetary policy.** BI maintained a cautious stance and lowered the policy rate only to 5.75 % in early 2025 and later to 5.25%. High borrowing costs would normally slow consumption and investment. President Prabowo's expansionary fiscal policy—including MBG, CKG and housing—injects liquidity into the economy through government spending, effectively counteracting tighter credit conditions.
2. **Boosting domestic demand and human capital.** MBG reduces household spending on food, freeing income for other consumption and improving nutrition. The programme sources food from local farmers, supporting rural supply chains and stimulating micro-, small- and medium-sized enterprises (MSMEs). Prasasti Center estimates that scaling the budget to IDR 100 trillion could create ≈185,000 jobs and raise GDP growth by 0.7 percentage points. CKG improves workforce health, lowering absenteeism and enhancing productivity. Housing construction and hospital projects create jobs in construction and healthcare, sectors less sensitive to interest rates.
3. **Policy coordination and targeted credit support.** AMRO reports that BI strengthened liquidity incentives and reserve-requirement policies (KLM) to encourage bank lending to MSMEs and targeted sectors. Such measures help small businesses and programme contractors obtain financing despite high interest rates. The central bank also promoted local currency transactions and improved payment systems, reducing transaction costs for domestic trade.
4. **Structural reforms and investor confidence.** President Prabowo's government launched Danantara and emphasized food sovereignty. While still in its early stages, these policies aim to diversify the economy beyond commodities and strengthen supply chains—moves that can attract investment even when global conditions are tight. Gross fixed capital formation (GFCF) accelerated in Q2 2025, contributing significantly to the 5.12% growth print. This acceleration was driven by front-loaded infrastructure and housing disbursements, as well as ongoing SOE/strategic projects (e.g., the Jakarta MRT expansion), which tend to be less rate-sensitive because they are budget-funded or SOE-backed. Together, these factors helped offset weak private credit appetite and subdued manufacturing sentiment.

### 4. Explaining the discrepancy between GDP growth and a contracting PMI

#### 4.1 Different indicators measure different sectors

- **GDP is a broad measure.** Indonesia's GDP includes output from agriculture, services, construction, government spending and net exports. Agriculture grew strongly in early 2025; a University of Indonesia economist observed that agricultural sectors (maritime, forestry and plantations) were resilient and offered opportunities to shift jobs and develop agribusiness. Robust tourism and government consumption also supported GDP. These sectors are not captured by the manufacturing PMI.
- **PMI is a forward-looking survey of manufacturing.** The S&P Global PMI reflects managers' expectations and production levels in manufacturing. Indonesia's PMI

dropped to 46.9 in June 2025 (from 47.4 in May), signalling contraction. Industry Ministry spokesperson Febri Arief attributed the decline to uncertainty and weak demand, causing manufacturers to hold back production. The PMI does not measure government consumption or construction; thus, it can decline even while GDP grows due to other sectors.

#### 4.2 Impact of government programmes

- **Consumption surge from MBG.** In addition to its health objectives, MBG serves as a fiscal stimulus. The government purchases large volumes of food and hires cooks through community kitchens, directly raising consumption and employment. These activities add to GDP and may explain part of the Q2 growth surprise. Because community kitchens supply meals rather than manufactured goods, this spending does not increase manufacturing output, so PMI remains weak.
- **Infrastructure and housing projects.** Construction of millions of houses and hospitals adds significantly to GDP. Such projects create demand for building materials and labour but are classified under construction rather than manufacturing. Thus, they can lift GDP without influencing the manufacturing PMI.
- **Public capex mechanics.** In national accounts, this shows up as GFCF, not consumption. Rapid payment/disbursement cycles for housing, hospitals, and transport projects raise construction output and installation of equipment. Since execution relies on state budgets, SOE balance sheets, or contractor pre-financing, progress is less sensitive to BI's policy rate than typical private investment. Result: GDP goes up even if manufacturing PMI stays weak. This dynamic can be summarized as follows: public/SOE capex is not tied to manufacturing sentiment, disbursement schedules can lift GFCF even in tight-rate regimes, construction and services boost GDP while PMI tracks manufacturing only, and these projects lay the groundwork for future productivity gains in housing, logistics, and health capacity.
- **Public sector services.** CKG and other health and education initiatives increase government services output. Again, this spending inflates GDP figures but is not counted in manufacturing surveys. Services' share in Indonesia's economy is around 43 %, so growth in services can compensate for a manufacturing downturn.

#### 4.3 Measurement and timing issues

- **Survey vs. statistical data.** PMI is based on perceptions and is more sensitive to sentiment, whereas GDP relies on statistical estimation of actual output. Revisions and seasonal adjustments can cause divergences. For example, economists cited by Reuters questioned the 5.12 % figure due to falling auto sales, contracting manufacturing activity and shrinking FDI. They urged data transparency and warned that manipulated numbers could hurt investor trust. BPS (Statistics Indonesia) maintained that their methodology follows international standards.
- **Lagging indicators.** GDP is a quarterly and often lagging indicator. Government spending on MBG and CKG might peak in certain quarters, while PMI can react more quickly to declines in export orders. Q2 GDP may thus reflect earlier stimulus, whereas PMI in mid-2025 signals forward-looking weakness.

## 5. Assessment of successes and challenges

### 5.1 Successes

1. **Social welfare programmes rolled out rapidly.** Within ten months, MBG and CKG reached millions of beneficiaries. MBG's expansion from 3.5 million recipients in May 2025 to more than 7 million by July shows the administration's capacity to scale programmes quickly.
2. **Economic stimulus amid high borrowing costs.** The programmes provided immediate fiscal stimulus that helped sustain GDP growth despite high interest rates. Jobs were created in agriculture, cooking, construction and healthcare, and local supply chains benefited.
3. **Strengthened food security and rural livelihoods.** Record-high government food reserves and targeted purchases from smallholder farmers have stabilised prices and supported farmer incomes. This ensures resilience against global commodity volatility.

### 5.2 Challenges

1. **Execution and oversight.** Prasasti Center highlights inconsistent quality across community kitchens, cases of food poisoning and misappropriation of funds. Without stronger governance and a presidential regulation to standardise operations, MBG risks reputational damage and under-delivery.
2. **Manufacturing slump and labour market pressure.** The manufacturing PMI's decline to 46.9 indicates continued contraction. Economists warn that layoffs and bankruptcies in labour-intensive industries threaten employment. High interest rates continue to restrain private investment despite fiscal stimulus.
3. **Fiscal sustainability.** AMRO notes that budget deficits are widening and warns that high borrowing costs and new programmes may make it difficult to meet medium-term fiscal consolidation targets. Financing large programmes while maintaining debt sustainability will require improved revenue mobilization and spending prioritization.

## 6. Conclusion

In his first ten months, President Prabowo prioritized the rapid deployment of social welfare programmes, large-scale housing initiatives, food security measures, and a strategic investment push to lift Indonesia's economy despite a high-interest-rate environment. These initiatives have reached millions of citizens, strengthened rural supply chains, created jobs, and helped sustain GDP growth.

The Strategic Investment Programme alone channelled significant domestic and foreign capital into key sectors, created hundreds of thousands of jobs, and directed more than half of realised investment to regions beyond Java—supporting balanced, long-term growth. Policy coordination between the central bank and the government—combining cautious rate cuts, targeted liquidity incentives, and expansionary fiscal spending—has proven effective in the short term.

However, execution challenges and fiscal sustainability require urgent attention. To secure lasting growth, the administration must tighten oversight of flagship programmes, accelerate



structural reforms to revive manufacturing and boost export competitiveness, enhance revenue mobilization, and uphold transparent statistical reporting. If these priorities are addressed, the combination of stronger human capital, upgraded infrastructure, diversified investment flows, and resilient food systems could place Indonesia on a path toward inclusive and durable growth.

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