

# Indonesia: Policy continuity expected with new president | Credendo

## Event

On 14 February, defence minister Prabowo Subianto won the presidential elections by a landslide. Although the results will only be officialised in late March, Prabowo should get the majority of the votes (currently estimated at 58% of the total), allowing him to be directly elected with no need for a second round of voting. He will succeed the very popular president Joko Widodo – who has served two five-year terms – next October, who gave Prabowo his support before the elections in exchange for a commitment to policy continuity. However, Prabowo's party is estimated to come third in the legislative vote where the incumbent president's PDI-P party would prevail again.

## Impact

Following Prabowo's election as the next president of the world's fourth most populous country, broad stability is the most likely bet. Prabowo's victory comes after two consecutive defeats in the past presidential elections. One may assume that his comfortable success was boosted by having the popular incumbent president's 36-year son, Gibran Rakabuming Raka, as running mate. Prabowo is largely expected to prolong Joko Widodo's rule, at least when it comes to economic policy. Stability in government policy would imply the implementation of cautious macroeconomic policies, large investments in infrastructures – with a symbolic focus on building the new capital Nusantara in Borneo – and economic nationalism, notably by maintaining the ban on some unprocessed commodity exports (such as nickel) in order to promote FDI in domestic industries (e.g. EV) for the green energy transition. GDP growth is forecast to remain stable and strong in the coming years, at around 5%, as in the past ten years (excluding the Covid-related recession in 2020).

Politically, no significant change is expected. Indeed, Prabowo's weaker result at the parliamentary elections will require compromises to form a coalition with other parties and ensure policymaking. The main risks relate to a weakened rule of law, the fight against corruption and a potential democratic erosion given Prabowo's controversial military past under former dictator Suharto. Moreover, the fact that Joko Widodo's son will be Prabowo's vice-president might indicate an attempt to establish political dynasty. On the foreign front, Prabowo might want to emulate Widodo's rule – seen under the G20 presidency in 2022 – by maintaining Indonesia's high profile on the diplomatic stage and as a major representative of the Global South. He is also expected to keep tight economic ties with his first trade partner China. However, due to ex-general Prabowo's military background, a stronger defence of Indonesia's maritime interests in the South China Sea is not ruled out.

Credendo's positive country risk ratings, reflecting good macroeconomic fundamentals, are maintained at their current levels.

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