DAdvisory by katadata | WEEKLY BRIEF

5 January 2026

SNAPSHOT

HIGHLIGHTS FOR THIS WEEK:

- **Economy:** The 2026 National Budget prioritizes food and energy sovereignty, with expenditure financed by agile short-term debt and wider digital bond distribution.
- **Energy:** Eight new working areas launched with flexible, investor-friendly, fiscal contracts.
- **Industry & Labor:** EV incentive sunset beginning Jan 2026, coinciding 1.55-point industrial confidence dip which triggers cautious “wait-and-see” phase amid protest for Jakarta’s minimum regional wage for 2026.
- **Politics & Governance:** The 2026 Election Law and revised Criminal Code synchronize electoral stability with modernized, elite-centric procedural legal standards.

ECONOMY

FOOD, ENERGY, AND ECONOMIC SOVEREIGNTY: NAVIGATING THE 2026 NATIONAL BUDGET

Indonesia’s economy is navigating complex global tides shaped by geopolitical fragmentation and climate volatility. In response, the government has finalized a **2026 State Expenditure of IDR 3.84 quadrillion**, prioritizing a sovereignty agenda. Central to this is the robust **IDR 210.4 trillion package for food security** aimed at stabilizing domestic food prices and achieving self-sufficiency via enhanced food production.

On the energy front, the budget targets **oil lifting of 610 thousand BOPD and gas lifting of 984 thousand BOEPD**, supported by **IDR 210.1 trillion in energy subsidies** to buffer domestic demand side. These fiscal measures form the primary engines behind Indonesia’s ambitious **5.4% GDP growth target**, or 0.3% higher than the highest recorded growth among 2025 quarters. In conjunction, the country aims to maintain inflation at a disciplined 2.5% with the budget positioning state-led investment as a stabilizing force against external market shocks.

OPTIMIZING DEBT FOR FISCAL EXPANSION VIA SHORT-TERM AGILITY AND DIGITAL DISTRIBUTION

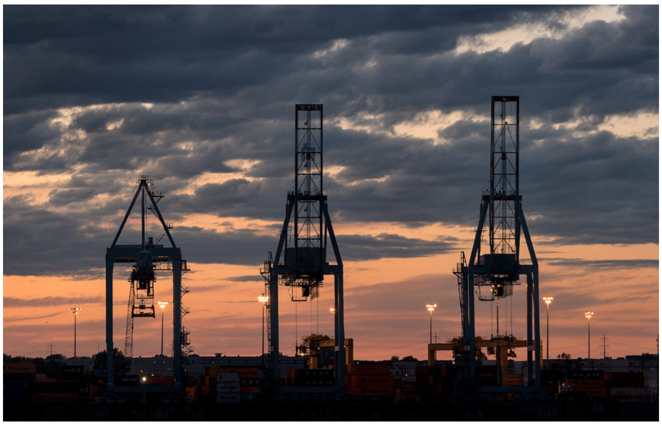
To fund its expansionary goals while preserving fiscal prudence, the Ministry of Finance is implementing a twofold debt management strategy. First, the government is **increasing the issuance of short-term treasury bonds with maturities under 12 months**. This tactical pivot toward short-term debt allows for more agile cash management and reduces the long-term interest burden as the government awaits more favorable global yield cycles.

Second, the newly issued **Ministerial Regulation No. 94/2025** on Dec 24 heralds a financial inclusion milestone. The regulation **formally integrates fintech platforms and online marketplaces** as distribution partners for government debt securities. The government aims to tap into a broader retail investor base by leveraging digital ecosystems, thus, diversifying its funding sources. The move signals increased domestic liquidity competition and a significant opportunity for fintech players to scale their wealth-management offerings.

ENERGY

UPSTREAM OIL AND GAS FISCAL POLICIES CALIBRATED FOR INVESTMENT

The government has launched eight new working areas (WK) from South Sumatra to Southeast Sulawesi featuring a more competitive revenue-sharing scheme. To optimize project economics in high-risk zones, investors now have the flexibility to choose between **Cost Recovery and Gross Split** contracts.



While this shift risks short-term state revenue suppression, it is critical for attracting capital amid global energy competition. Ultimately, the policy’s success hinges on converting these fiscal incentives into measurable, sustainable production to secure long-term energy security

INDUSTRY & LABOR

SUN SETS FOR EV SUBSIDY, WHILE INDUSTRIAL CONFIDENCE INDEX CONTINUES TO CONTRACT

Beginning **Jan 1, 2026**, “sunset” of import duty and luxury tax (PPnBM) exemptions for CBU EVs under **Presidential Regulation No.79/2023** expire. Thus, creating a significant price cliff. To maintain competitiveness, OEMs must now hit a 40% Local Content Requirement (TKDN), which will rise to 60% in 2027. This pivot forces a shift from an import-heavy model to a domestic-first manufacturing strategy.

The regulatory shift follows a **1.55-point drop in December’s Industrial Confidence Index**. Firms have entered a **"wait-and-see" phase**, deferring new contracts and procurement ahead of 2026’s new incentive structures. Despite this caution, pharmaceutical and resilient subsectors continue to anchor growth, collectively driving 79.49% of non-oil-and-gas manufacturing GDP with other expansive subsectors.

WORKERS PROTEST AGAINST JAKARTA’S MINIMUM WAGE, SHORT OF DECENT LIVING NEEDS

On Dec 29, 2025, workers protested **Jakarta’s 2026 regional minimum wage set at IDR 5.73 million,** citing a **IDR 160 thousand gap below Decent Living Needs (KHL) benchmark** of IDR 5.89 million. Labor union KSPI also flagged a geographic disparity, as industrial hubs like Bekasi and Karawang have reached a IDR 5.95 minimum wage. KSPI argues that government non-wage subsidies are insufficient, covering a small demographic at 5%.

The union has since met with government representatives on Dec 30, with a high-level summons of Jakarta and West Java governors to Istana Merdeka on Dec 31 indicating potential top-down wage revision. Despite the Ministry of Manpower’s mandate to align wages with KHL standards following the 2023 Constitutional Court ruling, regional compliance remains fragmented. For businesses, this ongoing friction at the regional level highlights a significant operational and regulatory risk for the first quarter of 2026.

POLITICS & GOVERNANCE

ELECTORAL REFORM: SHIFTS IN REGIONAL GOVERNANCE

The 2026 Prolegnas prioritizes the Election Law Revision, shifting towards **indirect regional elections via DPRD** and **permanent coalitions**. Supported by President Prabowo to curb high electoral costs, this asymmetric design trades grassroots mobilization for centralized legislative stability.

The reform synchronizes central-local policy but increases regional dependency on party elites. This creates a predictable, elite-centric lobbying landscape tied to legislative coalitions for businesses. Ultimately, regulatory certainty will hinge on high-level party consensus rather than popular regional mandates.

NEW CRIMINAL CODE ENTERS FORCE ON JANUARY 2026

President Prabowo signed **Law No. 20/2025** in mid-December, formalizing Indonesia’s **updated Criminal Procedure Code**. Effective **January 2026**, it aligns procedural law with the new Criminal Code (KUHP), governing all legal stages from investigation to trial. For corporate entities, this transition signals a modernized law enforcement environment. Firms must urgently audit compliance and litigation protocols to align with these updated procedural mandates, ensuring readiness for the shift in how criminal liability and investigations are managed.

Source(s): *Katadata, Kompas.com, Bloomberg Technoz*
List of abbreviations: *BOPD (Barrels of Oil Per Day); BOEPD (Barrels of Oil Equivalent Per Day); GDP (Gross Domestic Product); Fintech (financial technology); WK (Wilayah Kerja); EV (Electric Vehicle); PPnBM (Pajak Penjualan Barang Mewah); TKDN (Tingkat Komponen Dalam Negeri); CBU (Completely Built Up); OEM (Original Equipment Manufacturer); KHL (Kebutuhan Hidup Layak); KSPI (Konfederasi Serikat Pekerja Indonesia); Prolegnas (Program Legislasi Nasional/National Legislation Program); DPRD (Dewan Perwakilan Rakyat Daerah/Regional House of Representatives); KUHP (Kitab Undang-Undang Hukum Acara Pidana)*

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About D-Advisory

D-Advisory was initiated by Katadata, a leading media and research company in business and economics. D-Advisory provides structured insights to help businesses and organizations navigate complexities and achieve their strategic objectives.