DEWAN EKONOMI NASIONAL
REPUBLIK INDONESIA

Navigating Global Uncertainty, Sustaining Growth and Stability in ASEAN

Gen. (Ret) Luhut Binsar Pandjaitan
Chairman of The National Economic Council of Republic of Indonesia

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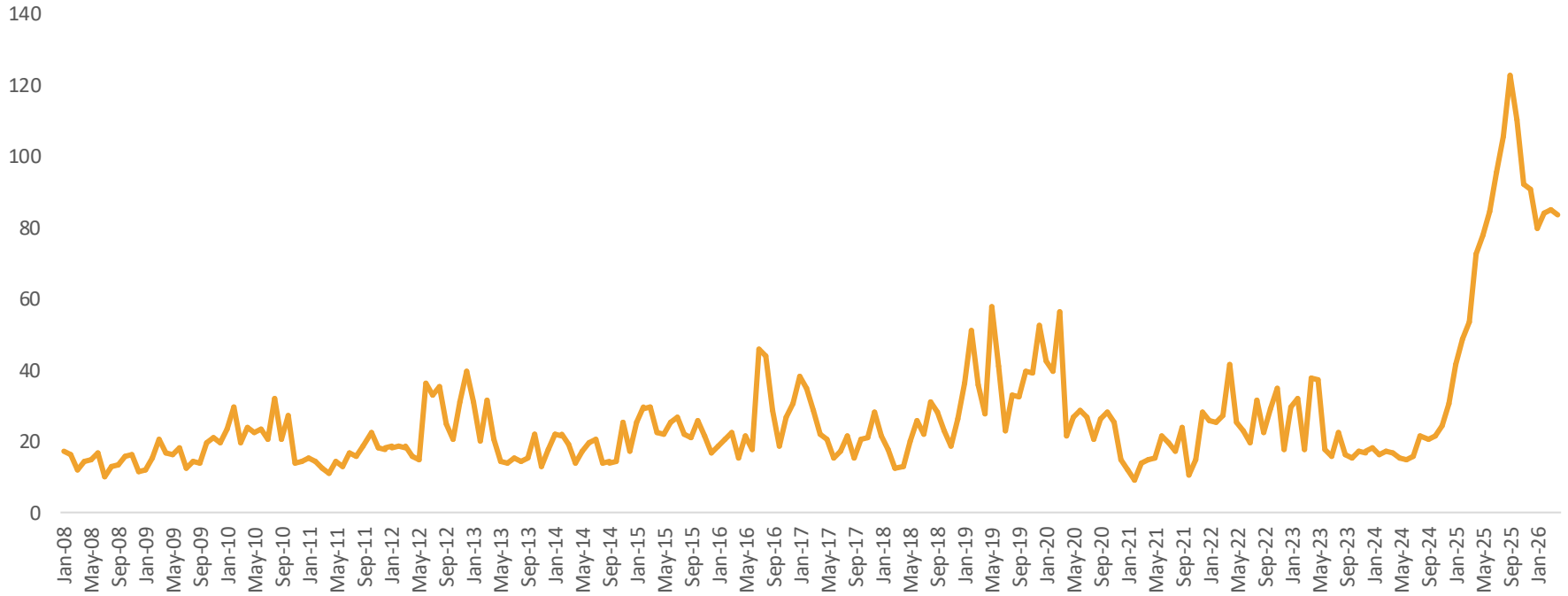
Global Economic Challenges: Rising Uncertainty as Geopolitical Fragmentation Increases Conflict and Instability

World Uncertainty Index

Index GDP weighted average.



Geopolitical Uncertainty:
- Middle East Conflict
- Rusia – Ukraine War

Global Policy Divergence

US Reciprocal Tariff

Disruption to Global Supply Chain

China's Economic Slowdown

Source: https://worlduncertaintyindex.com/

Global Food Security

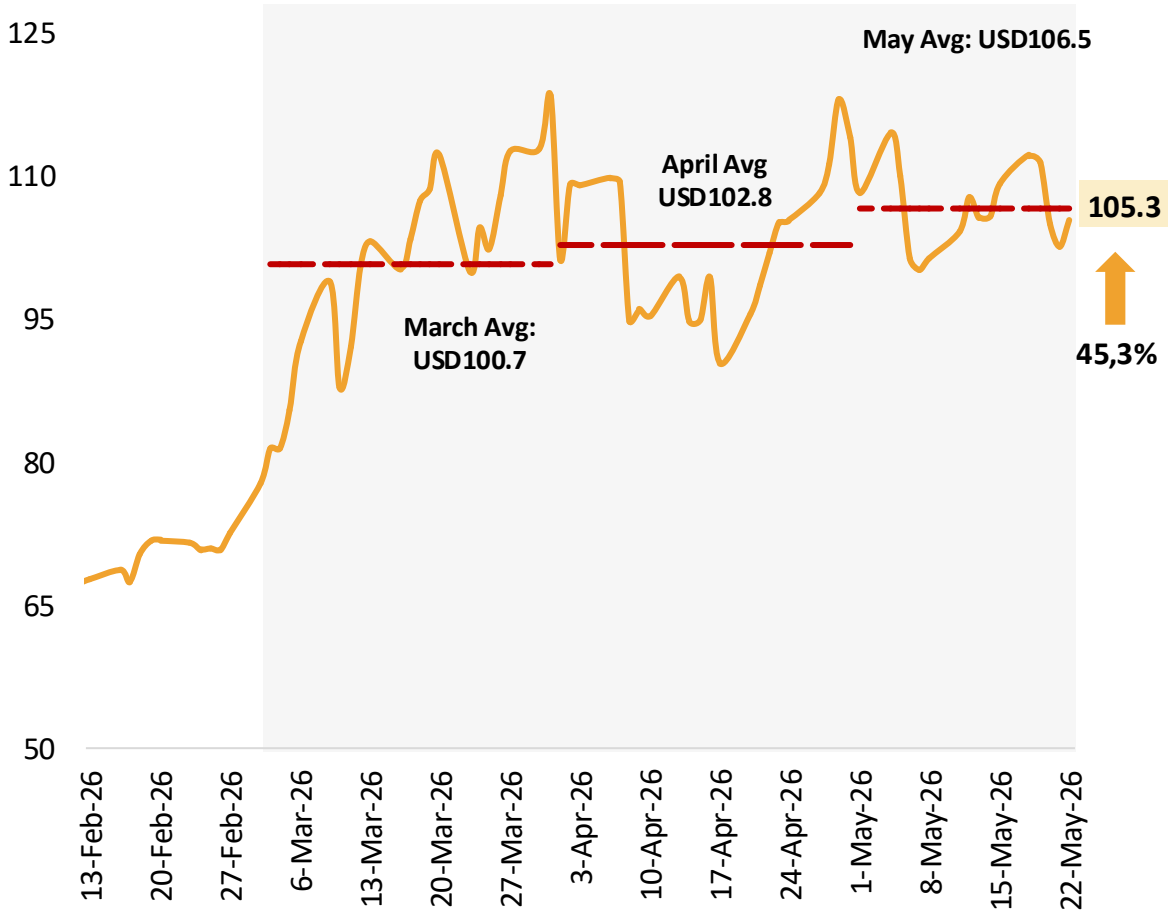
Digital Disruption and Artificial Intelligence

Climate Change – Transition to Low Carbon Economy

Geopolitical fragmentation and economic competition

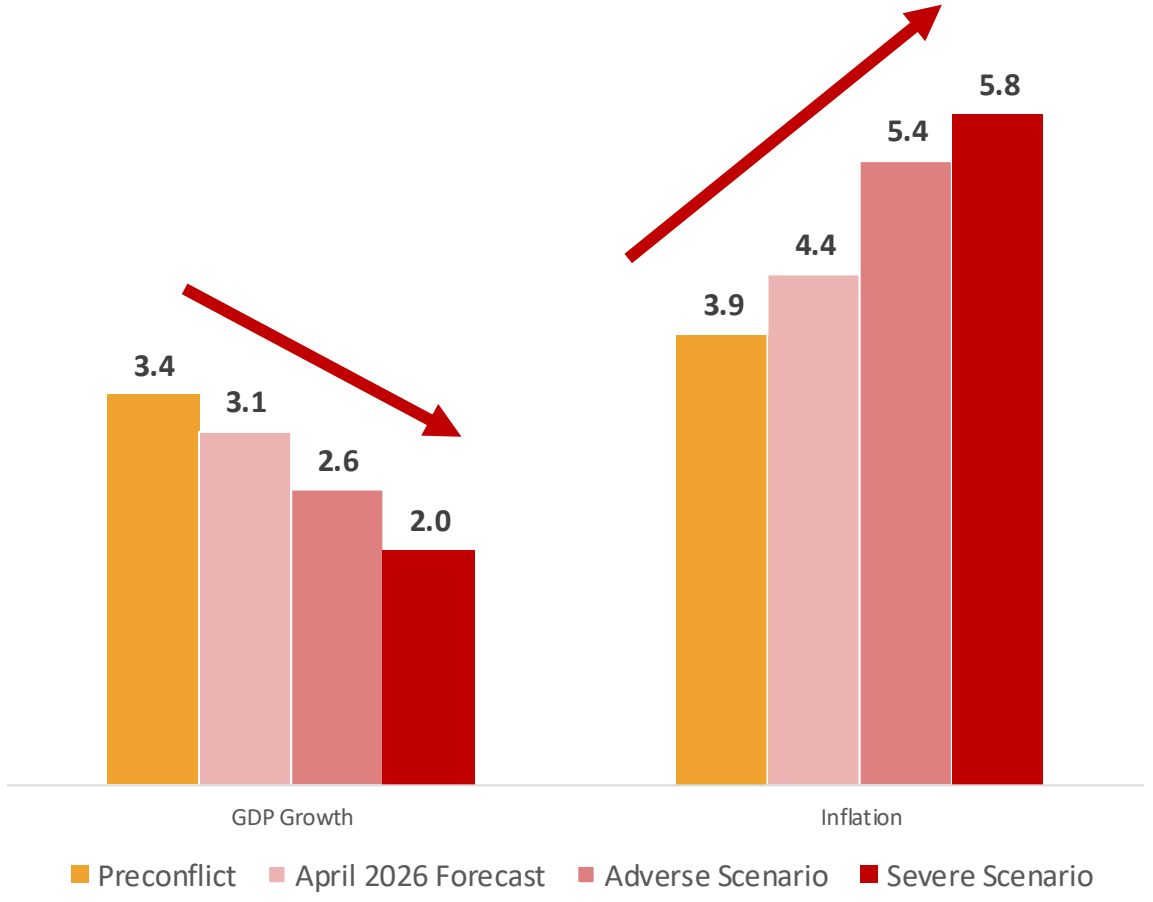
War-Driven Energy Shock: Higher Oil Prices Put Pressure on Global Growth and Inflation

World Crude Oil Price - Brent
(USD/Barel)



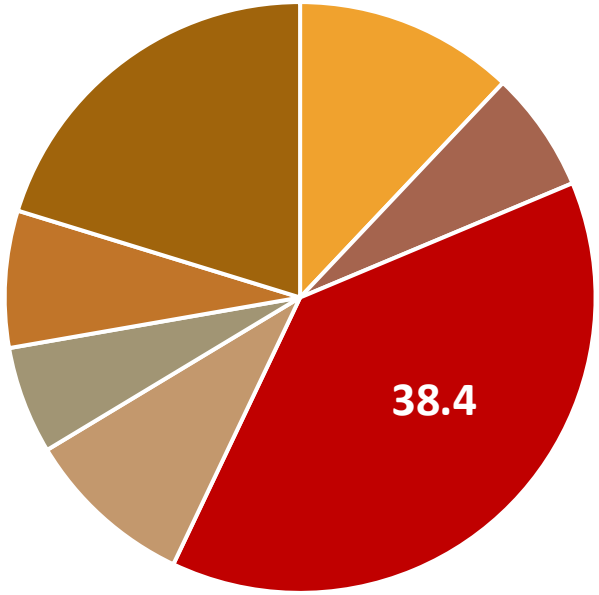
As of 22nd of May

IMF's Global Growth and Inflation Forecasts
(Percent)



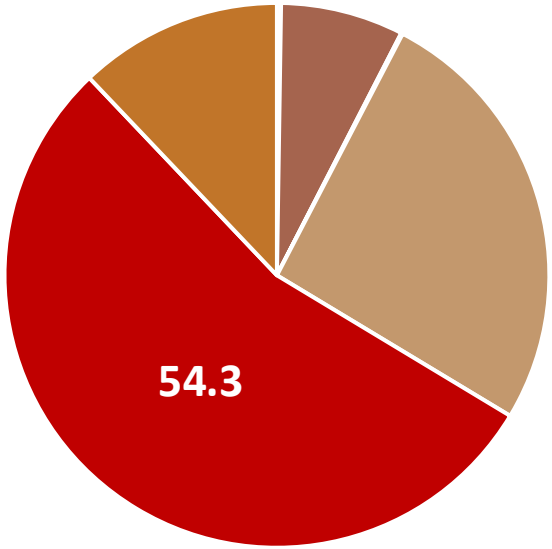
ASEAN+3 Faces Major Risks from the War: Heavy Reliance on Middle East Energy and Critical Commodities (Ex: Sulfur and Naphta)

ASEAN+3: Imports of Selected Energy Products by Source Region
(Percent of energy imports, 2025)



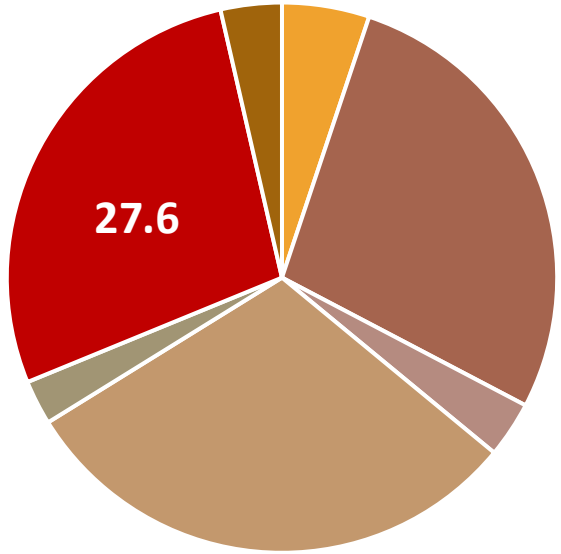
- ASEAN+3 oil hubs
- Other ASEAN+3
- Gulf oil producers
- Russia
- United States
- West Africa and Latin America oil producers
- Others

ASEAN+3: Imports of Sulfur by Source Region
(Percent of imports, 2025)



- China
- Other ASEAN+3
- Russia & Belarus
- Others
- Qatar, Oman, Saudi Arabia & UAE
- Australia, Canada & US

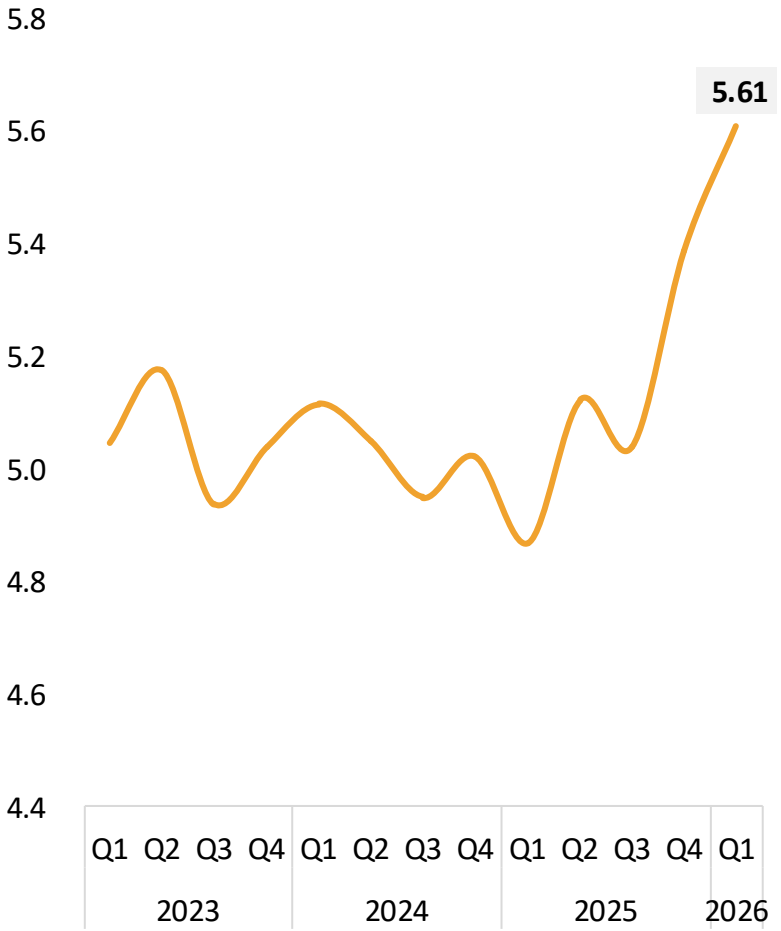
ASEAN+3: Imports of Naphta by Source Region
(Percent of imports, 2025)



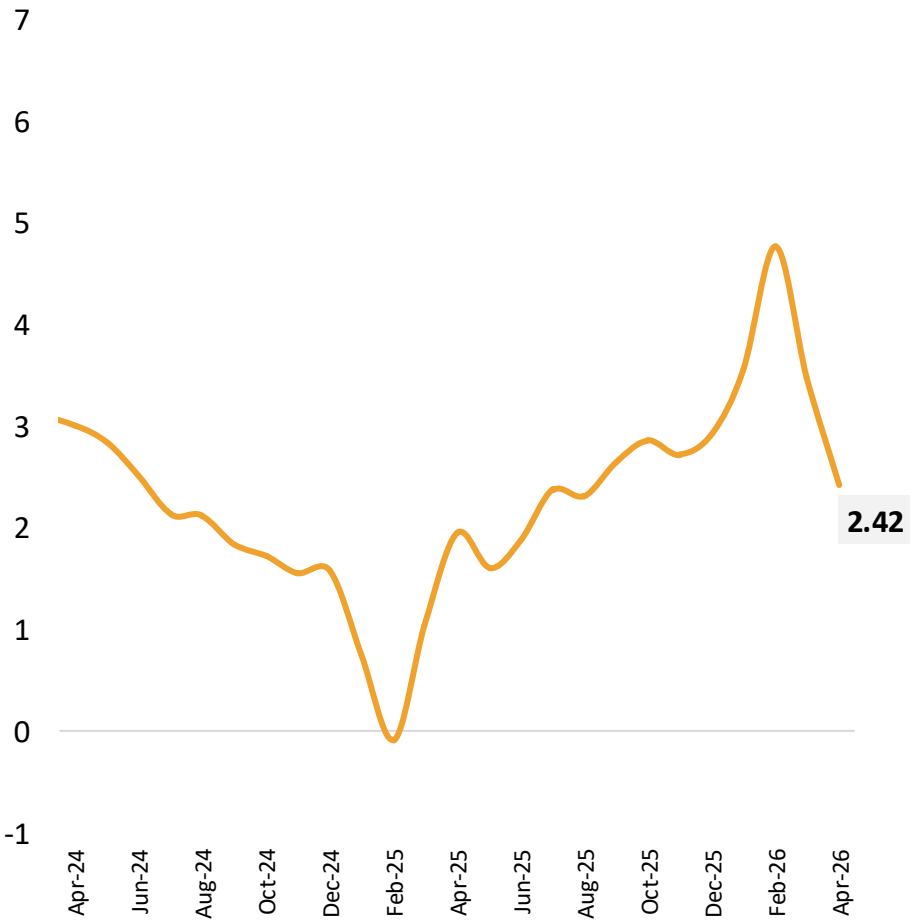
- China
- Other ASEAN+3
- Russia & Belarus
- Others
- Australia, Canada & US
- Qatar, Oman, Saudi Arabia & UAE
- Algeria & Morocco

Despite Global Challenges and Exchange Rate Volatility, Indonesia's Economic Fundamentals Remain Strong

Strong Economic Growth
(percent, YoY)



Stable Inflation Rate
(percent, YoY)



- **Low Current Account Deficit**
- **Manageable Debt Levels**
- **Healthy Corporate Sector Balance Sheets**
- **Resilient Banking System**

Source: BPS

High Growth Driven by Strong Domestic Demand — Including Government Priority Programs (MBG): Continued Improvements in Implementation Remain Essential

Free Nutritious Meal Program
(Makan Bergizi Gratis)

Expenditure Side

Government Spending (G)
↑21,81% YoY
Increased state expenditure serves as an initial stimulus to the real economy.

Household Consumption (C)
↑5,52% YoY
Savings from daily food expenses are redirected to other household consumption.

Investment (I)
↑5,96% YoY
Investment in construction and supporting infrastructure continues to increase.

Production Side

Food and Beverage Accommodation
↑ 13,14% YoY
Growth in the catering industry and expansion of public kitchen operations.

Agriculture Sector
↑ 4,97% YoY
Rising demand for food commodities has driven an increase in production.

Construction Sector
↑ 5,49% YoY
Construction activity for supporting physical facilities such as MBG kitchens, distribution centers, and logistics infrastructure.

Strengthening the Local Food Supply Ecosystem Will Generate Greater Impact Going Forward

Despite Energy Shock, Fiscal Space Remains Manageable in 2026

AMRO Staff Assessment of Policy Space in 2026

		Monetary Policy Space		
		Limited	Moderate	Ample
Fiscal Policy Space	Limited	LA	JP, MM	
	Moderate	KR, KH, ID, TH	CN, MY, PH, VN	
	Ample	HK, BN	SG	

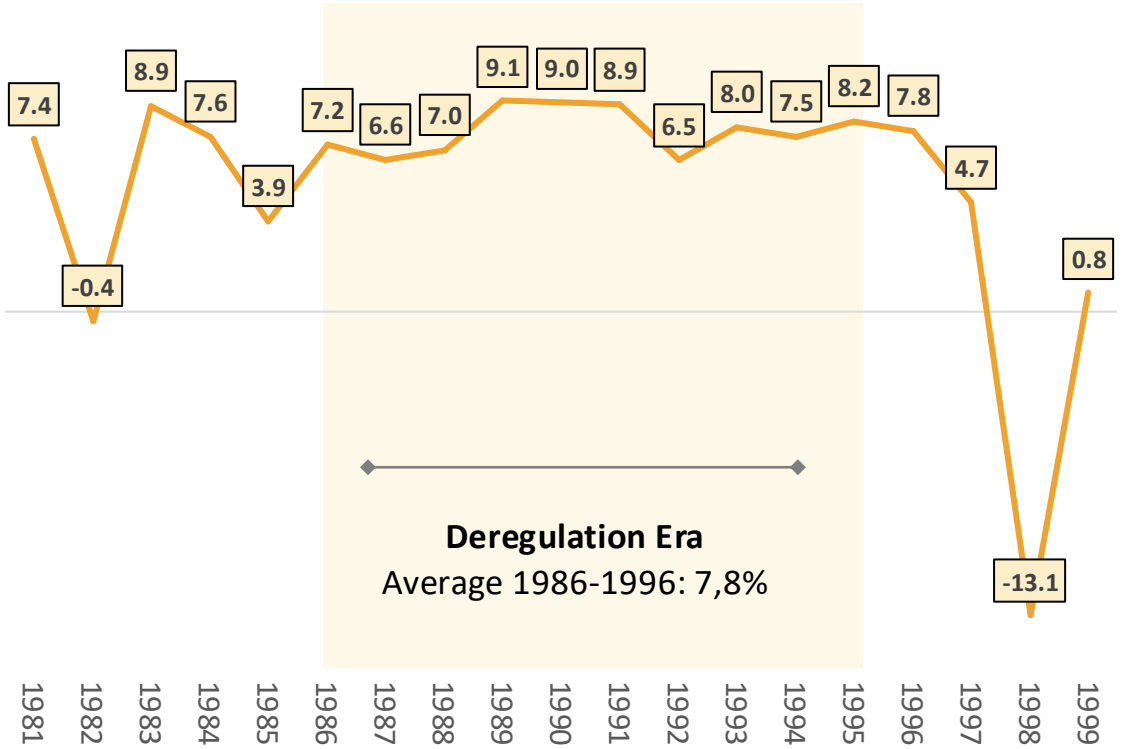
Source: AMRO (2026)

Indonesia Remains Committed to Maintaining the Fiscal Deficit Below 3% of GDP

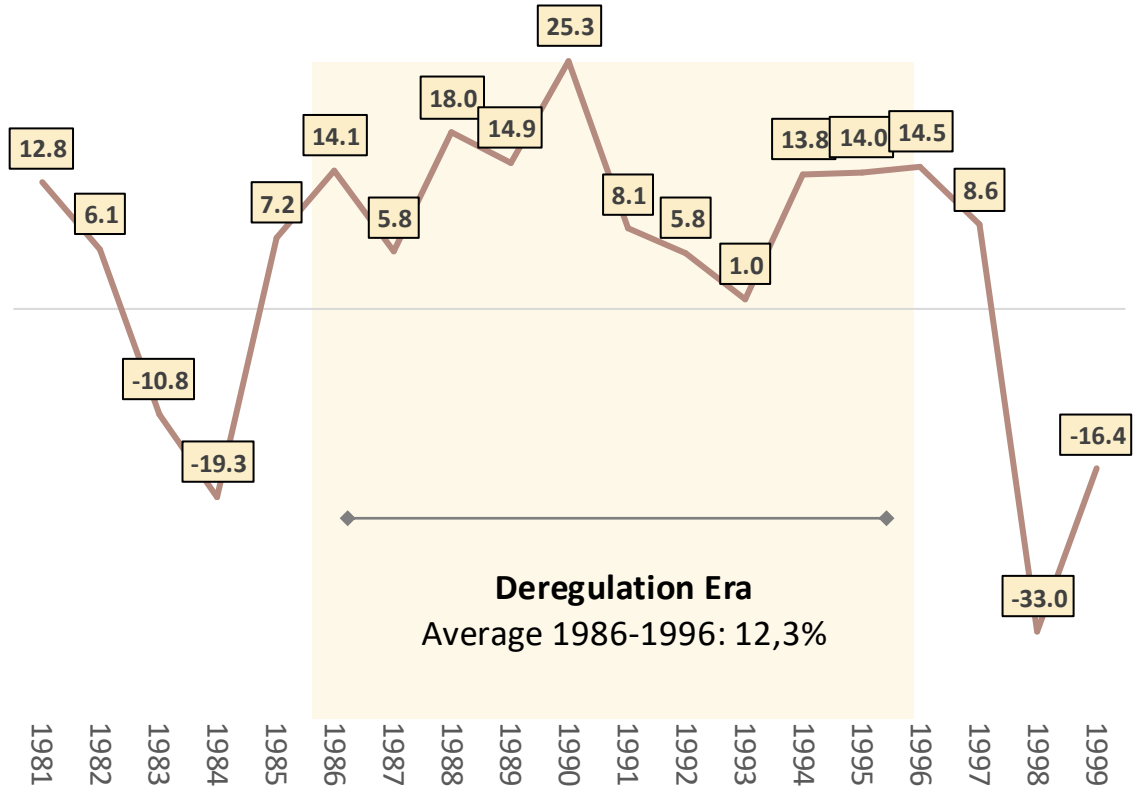
- Increasing Tax Revenue Through Better Compliance and Digitalization
- Greater Efficiency in Government Spending, Including Priority Programs

However, Learning from the 1980s, The Key to Higher Growth and Job Creation Was Boosting Private Sector Investment Through Deregulation

Economic Growth
(Percent, YoY)



Investment
(Percent, YoY)



1985
The maximum tariff was reduced from 225% to 60%; the number of tariff categories was reduced from 25 to 11.

1986
The proportion of imports requiring licenses decreased from 41% to 25% of total production by 1990.

1988
Items subject to non-tariff barriers (NTBs) fell from 31% to 16%, and import monopolies on iron and plastic were eliminated.

1990
MFN tariff was reduced to 22%; 374 NTBs were eliminated.

FDI
FDI policies were deregulated between 1986-94, lowered the minimum investment value from USD1 million to USD250,000, bilateral agreements with peer countries

Source: Various Sources

Indonesia Will Leverage Government Digitalization to Enhance Revenue Collection, Improve Spending Efficiency, and Speed Up Licensing

National Digital Services

Precision Targeting For Poverty Alleviation	Business Licensing Services	Strengthening State Expenditure Efficiency	Strengthening State Revenue Governance	Life-cycle-based Digital Public Services
Leveraging The Unified Social And Economic Data (DTSEN) For Social Protection	Effective And Integrated OSS With Ministry/Agency And Local Government Service Platforms To Improve Ease Of Doing Business	Streamlining Government Spending Through E-catalogue And E-budgeting, As Well As Simplifying Government Administrative Services	Improving The Quality Of State Revenue Management (SIMBARA, Coretax, Non-tax State Revenue/PNBP, Palm Oil Levy, Etc.)	Community Digital Services Covering The Free Nutritious Meal Program (MBG), Food Security, Community Health Centers (PKG Kesehatan), Civil Registration, Education Referral Letters, Etc.

Digital Public Infrastructure (DPI)

Digital ID

Digital Population Identity System

Digital Payment

GPN QRIS BANK INDONESIA BANK SENTRAL REPUBLIK INDONESIA

Data Exchange

Government Service Integration System (SPLP)

Big Data & AI

Government Database

To Navigate Global Fragmentation and Increase Exports, Indonesia Strengthens Market Access and Investment Through Strategic Trade Diversification

Indonesia-EU CEPA

US$30.2 billion

Trade value

Indonesia's Leading Export Products
Animal/vegetable fats and oils (HS 15)
Footwear (HS 64)
Electrical machinery and equipment (HS 85)

Indonesia-EAEU FTA

US$4.1 billion

Trade value

Indonesia's Leading Export Products
Animal/vegetable fats and oils (HS 15)
Cocoa and cocoa preparations (HS 18)
Coffee, tea, and spices (HS 9)

Indonesia-Canada CEPA

US$3.5 billion

Trade value

Indonesia's Leading Export Products
Electrical machinery and equipment (HS 85)
Rubber and articles thereof (HS 40)
Apparel and clothing accessories, knitted (HS 61)

Indonesia – AS *(ongoing)*

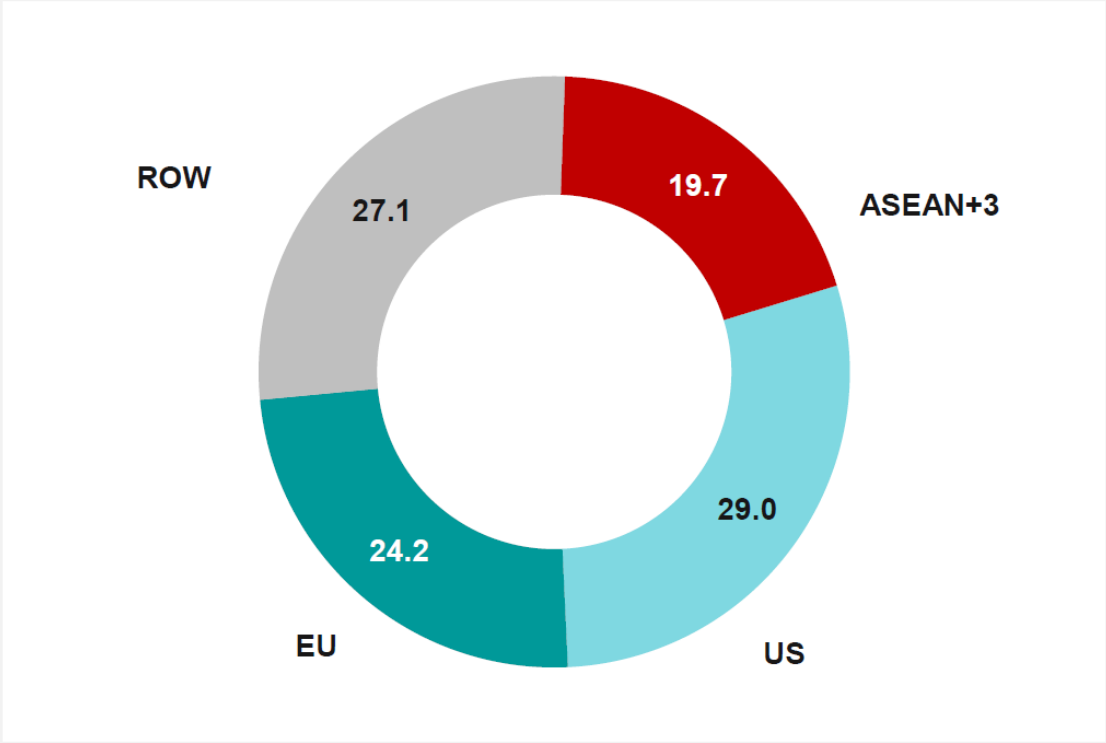
US$38.3 billion

Trade value

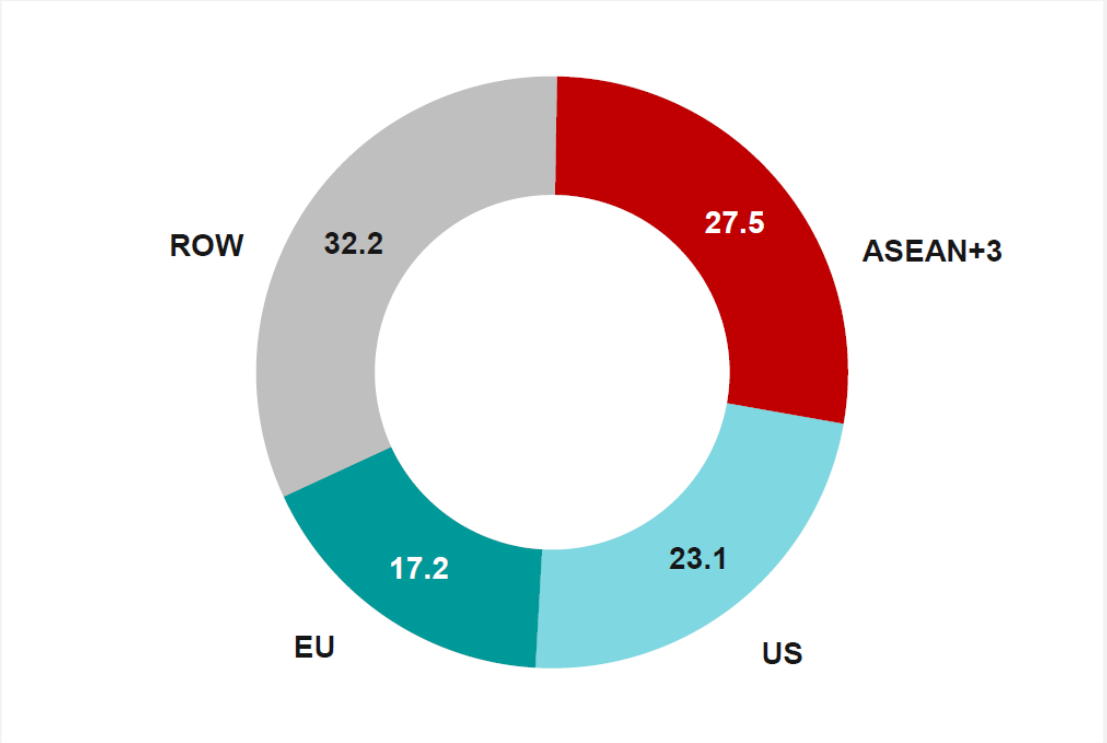
Indonesia's Leading Export Products
Electrical machinery and equipment (HS 85)
Apparel and clothing accessories, knitted (HS 61)
Footwear (HS 64)

ASEAN+3 Must Become a Strategic Partner for Indonesia as Its Role in Global Trade Continues to Grow

Share of Global Value-added in Final Demand by Region
(Percent share, 2000)



Share of Global Value-added in Final Demand by Region
(Percent share, 2024)



Source: ADB Multi-regional Input Output Table; AMRO staff calculations.
Note: EU = EU-27 member economies; ROW = Rest of the world; US = United States.

Share of Global Value-added in Final Demand by Region (Percent share, 2024)

Source: AMRO (2026)

Final Remarks

- **The global economy is facing rising uncertainty** — driven by geopolitical fragmentation, trade tensions, energy shocks, supply chain disruptions, and technological transformation. As one of the world's most integrated regions, **ASEAN+3 will inevitably face significant spillovers from these global challenges.**

- Despite these pressures, **Indonesia's economic fundamentals remain strong**, supported by stable inflation, prudent fiscal management, a resilient financial sector, and strong domestic demand. Government priority programs have also played an important role in maintaining growth and economic stability.

- **However, to achieve higher and more sustainable growth, Indonesia must continue strengthening the role of the private sector through deregulation, improved ease of doing business, and government digitalization** — learning from Indonesia's successful deregulation experience in the 1980s.

- Amid growing global fragmentation, export diversification and stronger regional partnerships are becoming increasingly important. In this regard, **ASEAN+3 should become one of Indonesia's key strategic partners for trade, investment, and regional economic resilience going forward.**

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TERIMA KASIH