

Indonesia Economic Outlook 2023: The Bright Spot in Asia



COORDINATING MINISTRY FOR ECONOMIC AFFAIRS REPUBLIC OF INDONESIA

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The Coordinating Ministry for Economic Affairs just hosted The Indonesia Economy Outlook 2023 entitled "Maintaining Economic Resilience through Structural Transformation", on 21st December 2022 in Jakarta. Developments, policy strategies, and anticipation of future economic conditions are the main topics discussed in this seminar.

This seminar begins with an explanation regarding the latest economic conditions, related to the journey of global economic recovery which is facing difficult conditions. The global economic projection continues to be corrected downwards, while supply chain disruptions have caused an unavoidable increase in global inflation. In fact, various institutions in the world increase the probability of an economic crisis because of the various downside risks that exist.

"The various global dynamics that exist are a reminder to us, that we remain optimistic but must continue to be vigilant. When the Covid-19 Pandemic first hit, we were also faced with conditions of high uncertainty. With discussion together, and hard work we can get through it. This success can be a valuable lesson, with good coordination and synergy was able to bring us out and even rise stronger," said the Coordinating Minister for the Economy, Airlangga Hartarto on the opening speech at The Indonesia Economy Outlook 2023 seminar, entitled Maintaining Economic Resilience through Structural Transformation.

A cross-ministerial national seminar like this can also be a forum for productive discussion and a valid reference source regarding domestic, regional and global economic conditions. In this way, all national stakeholders can build a common understanding of the opportunities and challenges faced together, especially in supporting national economic recovery and achieving more sustainable economic development.

Coordinating Minister Airlangga also reported that "The President's leadership can bring Indonesia together with the G20 leaders to produce several strategic commitments as outlined in the G20 Bali Leaders' Declaration." Some of the declarations are: (i) Pandemic Fund to deal with future pandemics amounting to USD 1.5 billion, (ii) Special Drawing Right (SDR) by the IMF in the form of Resilience and Sustainability Trust (RST) amounting to USD 81.6 billion, (iii) Encouraging climate change commitments in the Glasgow Pact from developed countries amounting to USD 100 billion per year, (iv) Continuing commitment to ensure that at least 30% of the world's land and 30% of the world's sea is conserved or protected by 2030, and (v) Continuing commitment to reduce voluntary land degradation by 50% by 2040.

On the same occasion, President of the Republic of Indonesia, Joko Widodo, said that constructive structural changes are the main requirement so we are not easily swayed by a situation of global turmoil. President Joko Widodo also gave a number of directions so that the national economy remains resilient in facing various challenges ahead, includes: (i) fiscal, monetary and real sector synergies, (ii) maintaining people's purchasing power, (iii) increasing exports, (iv) increasing investment, and (v) expanding downstream and green energy.

A deeper elaboration of President Joko Widodo's directions and views was followed by two high-level panel sessions, where strategies for maintaining economic resilience through financial sector transformation were discussed in panel 1. This session presented by the Minister of Finance (Mrs. Sri Mulyani), Governor of Bank Indonesia (Mr. Perry Warjiyo), Chairman of the Financial Services Authority (Mr. Mahendra Siregar), and Mr. Chatib Basri as economist representatives.

By ensuring more productive and quality government spending, the ongoing momentum of economic recovery can be maintained. In addition, the strategy for sources of fiscal financing for national economic development will be increasingly focused on sources that are not vulnerable to global volatility, such as long-term sources of financing, especially foreign direct investment (FDI).

From the monetary side, a comprehensive policy mix will continue to be implemented to accelerate economic recovery through pro-stability. The steps taken by Bank Indonesia through extra effort and multi-actor synergy will be able to maintain inflation stability even though global supply chain disruptions are still ongoing. Meanwhile, the Rupiah exchange rate will also be in line with solid economic fundamentals supported by foreign exchange reserves and the balance of payments performance which is still strong and stable.

As the main catalyst in accelerating economic development, sources of financing should be more varied, attractive and reliable. One of the steps taken to realize this is to implement financial sector transformation by ratifying the Financial Sector Development and Strengthening Law (UUP2SK).

With the readiness of the national economy in facing the existing challenges, Indonesia is estimated to become The Bright Spot in Asia. The Indonesian economy will remain resilient even though the global economy will be shrouded in thick fog. However, it should be noted again that this success will only be obtained with the hard work of all elements of the nation.

Meanwhile, panel 2 discussed the strategy for implementing structural transformation through the ease of trying to move the real sector. The discussion panelists were represented by the Minister of Industry (Mr. Agus Gumiwang Kartasasmita), Minister of Manpower (Ms. Ida Fauziyah), Chair of the CK Law Task Force (Mr. Suahasil Nazara), and General Chair of KADIN (Mr. M. Arsjad Rasjid P.M.).

Structural reform through the implementation of the Job Creation Law will provide ease of doing business so as to improve the investment climate, productivity and job creation. The socialization of the CK Law will continue to be accelerated so as to build the confidence of business actors to invest in Indonesia.

The industrial downstream program has been running well and has proven to provide extensive benefits. This program will continue to be implemented, especially in priority sectors such as agro-industry, the mineral and mining sector, as well as the oil and gas and coal sectors. The policy for making Indonesia 4.0 is also being carried out to accelerate the downstream industry.

From the employment side, the implementation of the Job Creation Law is embodied in adaptive, resilient and inclusive policies implemented through an active labor policy which mostly includes education and vocational training. This will increase the capacity and capability of human resources so that national productivity can increase.

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