

The Promise and Potential of Indonesia

In their search for growth opportunities around the globe, business leaders sometimes overlook Indonesia. After spending part of last week there, I would encourage them to reconsider.

Indonesia, the fourth most populous country, is home to a number of world-class companies with bold ambitions. It is relatively young, richly endowed with natural resources, and brimming with potential. Along with the rest of Southeast Asia, Indonesia has the potential to benefit if geopolitical tensions reorder trade routes.

Upward and Onward

In my short time in Indonesia, I saw a vibrant domestic market—household spending is powering annual GDP growth that exceeds 5%—and a dynamic workforce.

Economic growth is tied to political stability. Prabowo Subianto, the president-elect, has vowed to continue his predecessor's modernization policies and investments in reliable infrastructure. These include transportation, energy, housing, health care, and comprehensive urban projects, notably the construction of a new capital city, Nusantara, to replace congested Jakarta.

Indonesia has a highly entrepreneurial digital sector focused on e-commerce, finance, and other services. Companies are making significant investment into digital infrastructure such as cloud services and data centers. Many business leaders remarked how they intend to use GenAI as a steppingstone to take their business to the next level.

Significantly, Indonesia's continuing economic development will

rely on training and upskilling the workforce. Both the public and private sectors are encouraging digital literacy and inclusion among the entire population, not just the young, and creating digital talent scholarships in AI and GenAI, cybersecurity, and other fields.

Work Left to Do

With GDP per capita around \$5,000, Indonesia has regained its upper-middle income status, a designation it held briefly prior to the pandemic. Many similarly situated nations, however, have struggled to catch up to more advanced economies.

To escape the so-called middle-income trap, Indonesia cannot rest on its accomplishments. Its economy remains dependent on the sale of resources, especially palm oil, rubber, cocoa, and coffee in agriculture and nickel, gold, tin, and coal in the ground. It is focusing on moving into processing minerals and other resources, not just extracting them, and stepping up related manufacturing sectors.

Indonesia's economic growth over the past five decades has come at a cost to the environment. The country is the fourth-largest emitter of greenhouse gases. But it is working hard to diversify its energy mix and invest in renewable energy sources. [The value of Indonesia's green transition is immense](#), with a total market value estimated at \$400 billion in both industry revenue and carbon offset market opportunities.

The leaders I met have ambitions and drive that I have seen in few other countries, especially in digital, climate, and sustainability. The Indonesian people—young, bold, and energetic—also appear ready to embrace the challenges and opportunities ahead.

Until next time,



Christoph Schweizer
Chief Executive Officer

P.S. Rich and I are taking time to recharge, as I hope many of you are doing or have recently done. We'll be back in your inboxes again in late August.

Further Insights



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Southeast Asia has benefited greatly from recent shifts in global trade. Here are several strategies that can help the regions' companies make their next leap.

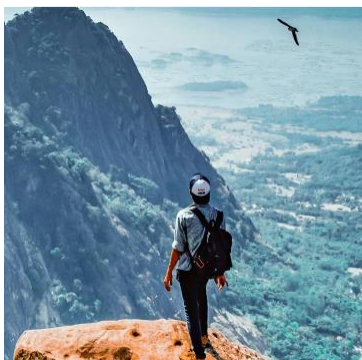
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