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ASEAN Members Commit to Maintaining Economic Stability at ASEAN Finance Ministers and Central Bank Governors Meeting, March 2023 in Bali

ASEAN Finance Ministers and Central Bank Governors reiterated their joint commitment to maintaining financial stability and advancing financial integration against an uncertain economic outlook that could impact economic growth momentum in the ASEAN region. That was the key takeaway of the ASEAN Finance Ministers and Central Bank Governors Meeting (AFMGM) hosted collaboratively by the Ministry of Finance and Bank Indonesia on 31st March 2023 in Nusa Dua, Bali. The meeting was attended by Finance Ministers and Central Bank Governors from nine ASEAN countries (Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, the Philippines, Singapore, Thailand, Vietnam), as well as representatives from six international organisations, namely the Asian Development Bank (ADB), ASEAN+3 Macroeconomic Research Office (AMRO), International Monetary Fund (IMF), Financial Supervisory Board (FSB), Bank for International Settlement (BIS) and World Bank.

At the meeting, Indonesia's Finance Minister, Sri Mulyani Indrawati, conveyed the important and strategic role of ASEAN as the epicentrum of growth for the world. "We believe ASEAN must aim to be a region with robust, inclusive, and sustainable economic growth. Economic growth has and will always be the story of ASEAN. To ensure that this will be continuous, we must strengthen ASEAN capacity to respond to the previous challenges, but most importantly the current and new challenges that we are all seeing today and the expected challenges in the next twenty years," conveyed Minister of Finance Sri Mulyani Indrawati. All of this highlights the importance of the theme of this year's Chairmanship: 'ASEAN Matters: Epicentrum of Growth'. With this theme, Indonesia would like to show that ASEAN remains relevant, strategic, and important, that ASEAN Matters. 'Epicentrum of Growth' means that Indonesia wants to make ASEAN the center of regional and world economic growth. Moreover, Minister of Finance Sri Mulyani emphasized that, "ASEAN remains a bright spot in the global economy where the region offers more promising prospects compared to a bleaker global outlook. This underlines the importance of strong collaboration and cooperation to contain the lingering risks that may pose threat to the regional economy".

Bank Indonesia's Governor, Perry Warjiyo, stated that to address ASEAN challenges, members must work together in a collaborative and cooperative manner. "As central bank governors and finance ministers, we must harness our collective expertise and experience to develop policies and measures that promote economic resilience, sustainability and inclusion. Such actions can include the following three agendas. First, we must have a good understanding of global and regional macroeconomic and financial stability dynamics and be able to formulate an optimal policy mix. Second, leveraging on the global agenda in the area of cross-border payments. Third, with current global financial market dynamics influenced heavily by a rapid interest rate hiking cycle by major central banks, it has been more important for emerging markets to shield the external sector from the unintended consequences."

At the AFMGM this year, members welcomed the theme of Indonesia's ASEAN Chairmanship in 2023, namely 'ASEAN Matters: Epicentrum of Growth', with three strategic thrusts: (i) recovery and rebuilding, (ii) the digital economy, and (iii) sustainability. Since 28th March 2023, a total of 13 high-level meetings (HLM) have been held with Central Bank Governors and Finance Ministers as well as Deputies.

Align with the theme, Epicentrum of Growth, ASEAN collectively has a high economic growth and macroeconomic stability. For example, the ASEAN-5 economy grew by 5,3% last year, and collectively forecasted to 4,6% this year and increase to 5,6% in 2024. This growth will remain continue among others, supported by strong consumption, trade and investment, as well as engaging open trade and investment to other countries. Nonetheless, ASEAN and global still facing a number of challenges, including global spillover, high interest rate, high inflation, as well as global financial uncertainty.

ASEAN needs to underline the importance of strong collaboration and cooperation which reflected in Indonesia Priority Economic Deliverables (PED) to contain the lingering risks that may pose threat to the regional economy. Particular focus under coordination of Indonesia Ministry of Finance within deliverables (PED) are health preparedness, infrastructure finance, international taxation, customs cooperation, digital financial inclusion for MSMEs and sustainable finance. These six agendas will further strengthen ASEAN finance sector cooperation and integration under the existing 2025 blueprint and help the region to respond to the global challenges that ASEAN is facing to ensure its economic recovery.

To address ASEAN challenges, there are 3 priorities related to the central bank agenda. First, to strengthen macroeconomic policy mix to face global spillover in order to support macroeconomic and financial stability as well as to support economic recovery and integration in the ASEAN region. Considering the multidimensional and complex nature of challenges the region is currently facing, the meeting highlighted the need to strengthen the policy mix that covers fiscal, monetary, macroprudential and also structural reforms. Second, to rapidly expand Regional Payment Connectivity (RPC) among ASEAN members. Last year, under the G20 Indonesian Presidency, 5 ASEAN central banks (Indonesia, Singapore, Thailand, Malaysia, and Philippines) already signed an MOU regarding cross border interconnectivity and interoperability, the use of QR, fast payment and LCT. By RPC, ASEAN members pursue to provide seamless, fast and efficient payment system for the whole ASEAN region. Finally, the importance to mitigate the risks that can emerge from payment system digitalisation by way of by strengthening the regulation, supervision, international standards adoption, as well as consumer protection. Third, to reinforce financial resilience, among other, through the use of local currency to support cross-border trade and investment in the ASEAN region. The Ministers and Governors then agreed to the Joint Ministerial Statement (JMS) contains the progress, achievement, and agreement on those agendas.

In addition to the policy-related discussion, the AFMGM meetings are also made use of the opportunities to promote Indonesia's cultural diversity. Under the general hospitality theme Discover Indonesia, this meeting series specifically highlights the arts and culture of Central and Eastern Indonesia. In addition, delegates can visit the MSMEs exhibition of quality products from Central and Eastern Indonesia as well as sip Indonesian specialty coffee. Introducing the cultural diversity of Indonesia during the meeting demonstrates how solidarity can be achieved amid differences, and how collaboration within the diverse ASEAN community can support the progress of ASEAN as a center of global economic growth.

The outcomes of the 1st AFMGM discussion will be reported to the 42nd ASEAN Summit to be held in May 2023 in Labuan Bajo, East Nusa Tenggara, followed by the second AFMGM, which will be held in August 2023 in Jakarta. Various discussion agendas in the finance track of the economic pillar are expected to produce concrete outputs of significant benefit and positive impact for countries in the ASEAN region.

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Media Contacts:


Erwin Haryono
Executive Director of Communication
Department, Bank Indonesia

☎ 021-131

✉ bicara@bi.go.id

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Yustinus Prastowo
Spokesperson of the Ministry of Finance



✉ kemenkeu.prime@kemenkeu.go.id

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