

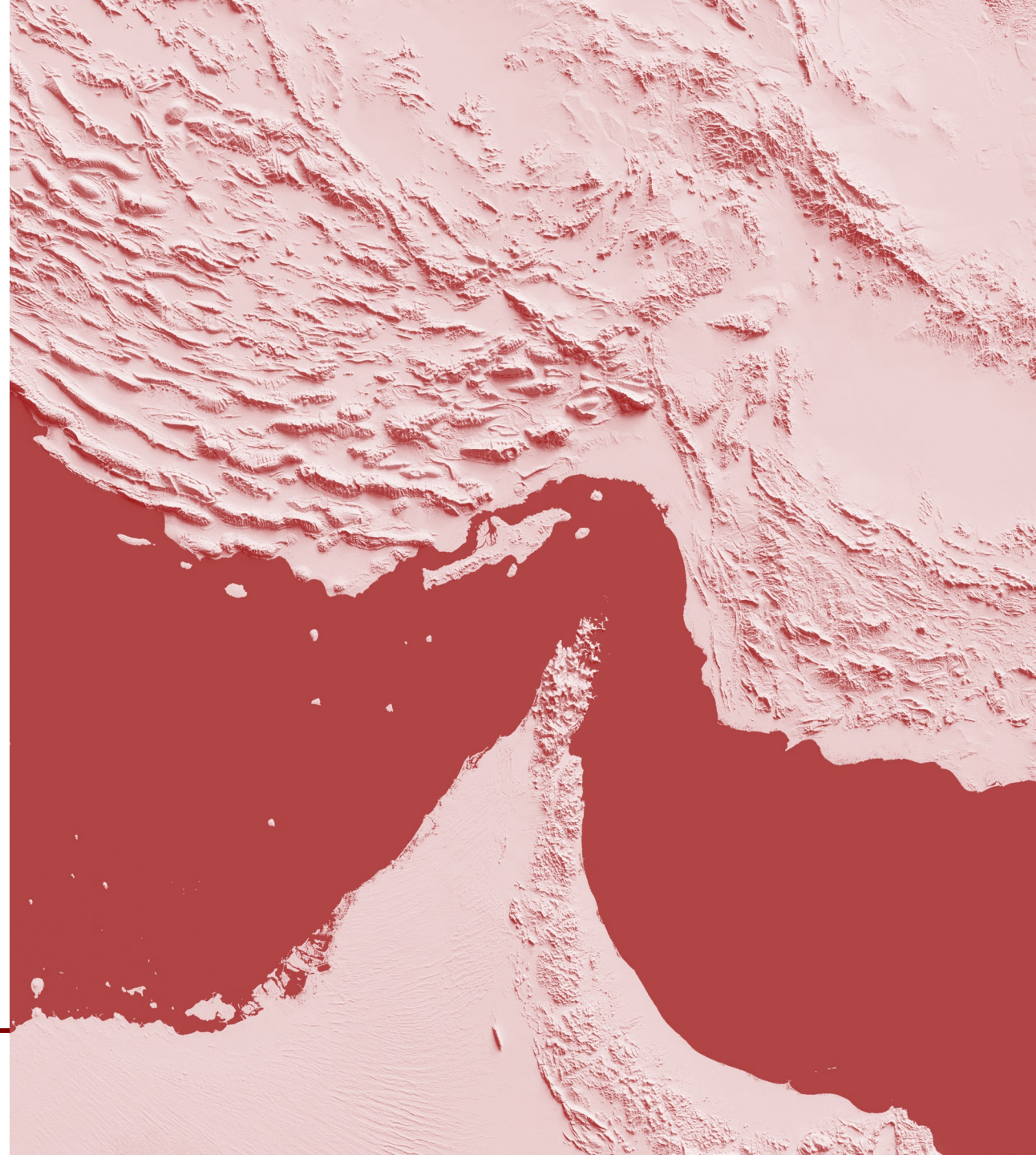
What the Iran War is Costing Indonesia – 50 Days and Counting

April 2026



Contents

Executive Summary	3
<i>Iran War – The Event</i>	4
<i>The Strike & Hormuz Shutdown</i>	5
<i>Oil Price Shock</i>	6
Indonesia’s Exposure	7
Economic Impact	8
<i>Subsidies & Fiscal</i>	9
<i>Food & Inflation</i>	10
<i>Currency & Markets</i>	11
<i>Tourism & Trade</i>	12
Overall Growth Outlook	13
Indonesia’s Response – Navigating the Shock	14
<i>Supply Chain Pivot – US & Russia Deals</i>	15
<i>Energy Reform & 100GW Solar Commitment</i>	16
<i>Fiscal Resilience & Social Protection</i>	17



Executive Summary

When the US and Israel struck Iran on February 28, 2026, Indonesia was impacted immediately from a distance of 5,000 km — and 50 days into the conflict the shockwaves continue to reverberate. Rising oil costs, a weakening Rupiah, and a foreign policy identity crisis have converged on Southeast Asia's largest economy during a period of both change and challenge. Yet Indonesia's strong domestic fundamentals, decisive policy responses, and an unexpected push toward energy reform reveal a nation adapting proactively to this new World Order.



5.1%
Indonesia's GDP growth in 2025, provides a solid foundation in the face of the Crisis

The closure of the Strait of Hormuz triggered one of the largest energy disruptions in history

Indonesia's fiscal system is currently absorbing the continuing disorder

Jakarta is turning crisis into opportunity by diversifying supply chains, accelerating reform and deepening strategic partnerships

USD 119/bbl
Brent Crude peak per Oilfield Barrel, ~65% in March 2026 alone

- 95%
Hormuz tanker traffic of peacetime norms by end-March 2026

IDR 490T
Total reserve for energy subsidies in 2026 — fuel prices remain frozen

70%
US-sourced LPG, a supply chain pivot completed with both US and Russia

USD 5.9B
Additional energy subsidies needed in 2026

20M bpd
Normal Hormuz flow, accounting for 20% of global oil supply; 84% to Asia

2.9% GDP
Projected 2026 deficit, managed below 3% mandated cap

USD 33.9B
Total business and investment commitments arising from a bi-lateral visit by Japan and South Korea



- 2.9pp
Estimated global GDP impact per quarter of closure

4.7 to 5.2%
Revised 2026 growth range (World Bank-ADB) still among the strongest in ASEAN

100 GW
Solar panel projects in 3 years for national security priority

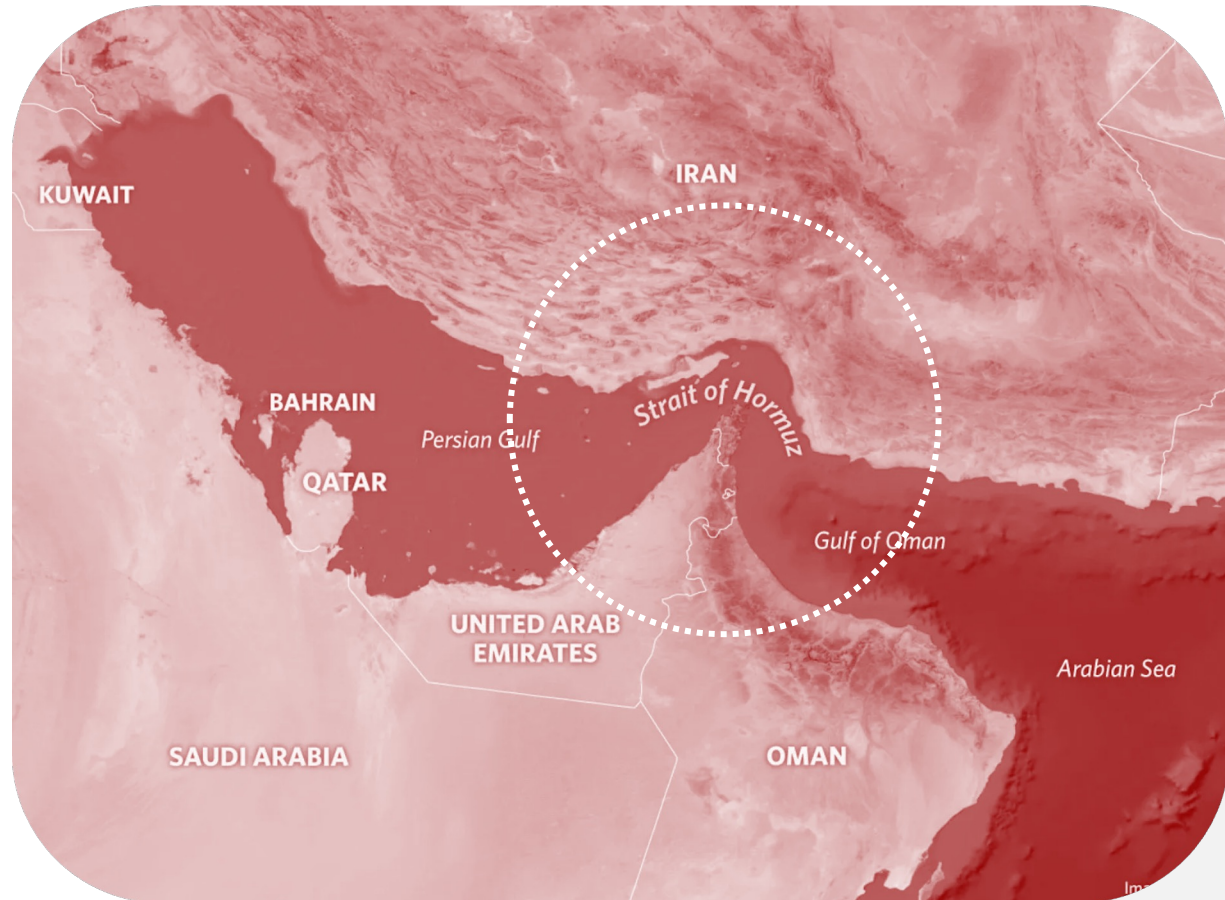


Iran War

The War is being waged in Iran, but the shockwaves have landed on Indonesia's doorstep

On February 28, 2026, the US and Israel launched coordinated strikes on Iran, eliminating the Supreme Leader and triggering the closure of the Strait of Hormuz – a critical chokepoint for 20% of global oil supply.

Map: NASA



The Strait of Hormuz – the World's most critical oil chokepoint - is effectively shut

The US-Israel strikes on Iran on February 28, 2026 triggered an immediate Iranian retaliation, including a blockade of the Strait of Hormuz — the narrow passage through which c. 20% of global oil resource ordinarily flowed freely.



Tanker traffic collapsed **from 20 million barrels/day to near-zero** within days of the strikes

Peacetime flow: 20M bpd (~20% of global supply)	Traffic drop by March 2: >90%	March 1 to March 30 Minimal commodity crossings: 196 total (-95% vs peacetime)
March 15 to March 21 AIS crossing: 16 ships	Ships anchored and waiting: ~2,000 vessels	



Major Gulf energy infrastructure has been targeted and struck — **Saudi, Qatar, UAE all hit**

Merchant ships attacked (as of March 12): 21 confirmed strikes	Gulf oil exports fallen: ~60%	Facilities struck: Ras Tanura (Saudi), Ras Laffan (Qatar LNG), Ruwais (UAE)
Qatar LNG expansion delayed: North Field East project	Gulf oil production drop: ~10M bpd vs March 2025	



This is the largest energy disruption since the 1973 oil embargo and **Asia is the most exposed region**

Global GDP impact: -2.9 pp annualized if closed for one quarter	Brent crude peak: \$126/bbl (>\$100 on Mar 8)	Iran closure mechanism: insurance-driven, not naval – drones made ships uninsurable
Share of Hormuz flows going to Asia: 84% of crude & condensate	Oil via Hormuz: Japan 93% S.Korea 68% India ~53%	

Oil spiked past USD 119/bbl, the biggest monthly gain in the entire history of the contract

Brent crude surged ~65% in March 2026 alone, surpassing the previous monthly record set during the 1990 Gulf War. For Indonesia, with a budget threshold set at USD 70/bbl for 2026 - every dollar above that assumption directly widens the fiscal deficit.

The oil price trajectory: from USD72 pre-War to USD119 at peak — a record-breaking surge within weeks

Period	Brent (USD/bbl)	WTI (USD/bbl)	Dubai (USD/bbl)
Pre-War <i>(February 27–28, 2026)</i>	72.48	67.02	~68–72
During War (Early) <i>(March 1–3)</i>	80–83	78–82	85–95+
During War (Mid) <i>(March 17–19)</i>	103–119	102–119	126–170
Highest <i>(Intraday)</i>	119.5	~119.50	~169.75–170
Current <i>(April 10, 2026)</i>	~96–98	~98–100	~104–130

- Iran’s blockade of the Strait of Hormuz created a classic supply shock. Markets priced in worst-case scenarios even though OPEC+ signalled potential output increases.
- The War caused the steepest oil price shock in recent history, with Brent seeing a record ~55% to 65% monthly rise in March at one stage.
- A fragile two-week ceasefire is in effect, with Iran agreeing to reopen the Strait. Prices have pulled back but remain ~35% above pre-War levels due to uncertainty (e.g., ongoing Lebanon strikes, doubts over full Hormuz re-opening)
- The price for actual Brent oil cargos came in above \$120 per barrel on April 8. The spot price shows that oil supplies will stay tight for some time, even if the ceasefire agreement endures.

For Indonesia, every dollar above \$70/bbl has a direct fiscal impact - and the budget was already fragile

Indonesia 2026 budget oil assumption: USD 70/bbl	Each +\$1/bbl above assumption: +IDR 6.8 to 7.0 trillion added to deficit
At USD 100+ oil: subsidy bill of IDR 381 trillion (energy + electricity) is already exhausted	Rupiah on the day of first strike: IDR 16,760/USD → now IDR16,925/USD
Stocks down: nearly 20% year-to-date ; foreign entities unloading bonds	Legal deficit cap: ~3% of GDP

Short-term shock absorption:
No subsidized fuel price increases

Scenario planning:
Stress-tested for \$100/bbl average.

Supply-side tweaks:
Shifting some crude imports to US sources; accelerating refinery expansions.

“As long as the (oil) supply is available, we still have a financial buffer of IDR 490 trillion, currently in the form of a budget surplus. If necessary, it can still be used...”

Minister Purbaya said during a press conference at the Coordinating Ministry for Economic Affairs office on Monday, April 6, 2026.



The War is impacting the lives of every Indonesian citizen – at the gas station and at meal times

Indonesia's structural oil deficit, LPG supply dependency on the Gulf States, aging oil refinery capacity – coupled with the inherent vulnerability of the Rupiah – requiring the nation to absorb the costs of the War from multiple directions simultaneously – with no natural hedge available.



- Indonesia has been a net oil importer since 2003 with **total daily consumption around 1.7M bpd** (highest since 2018) while **domestic production at ~605,000–608,000 bpd** — **covers only ~36% of aggregate demand**.
- **Saudi Arabia** alone contributes **38% of Indonesia's crude imports** (~ USD1.21B/year). **Iraq, UAE, Kuwait** supply the remaining crude import requirements — **and all dependent on the Hormuz route**.
- **Oil & Gas imports total: USD 36.28 B in 2024** — one of Indonesia's largest commodity imports



- LPG is the hidden vulnerability with **70 million households** cook with **subsidized "melon" cylinders** while **LPG import sourcing ~50% from UAE, Qatar, Saudi Arabia & Kuwait** — **all dependent on the Hormuz route**
- **Emergency pivot LPG imports raised to 7.8 M tons in 2026** – of which **70% is now sourced from US** in order to bypass Hormuz. Pivot enabled by USD 15B trade deal signed in Washington via a direct US-Indonesia supply agreement.
- **Refinery Gap:** 8 refineries at 1.2M bpd capacity, running at only ~79% utilization, fulfilling only ~60% of refined fuel demand. **No large-scale new refinery has been built** — refined fuel imports still being routed via Singapore



- **The Rupiah creates a 'Double Hit'**, whereby a weaker currency makes every dollar of oil imports more expensive at the same point that oil prices are soaring
- **Each IDR 1,000 increment of a weakening exchange rate trend, adds hundreds of billions of Rupiah to the import bill**. Under \$100–\$120 oil, **total additional fiscal burden could exceed IDR500 trillion in 2026**
- Unlike oil exporters that gain from price spikes, **Indonesia simultaneously absorbs the full cost** on both the import bill and the fiscal subsidy account

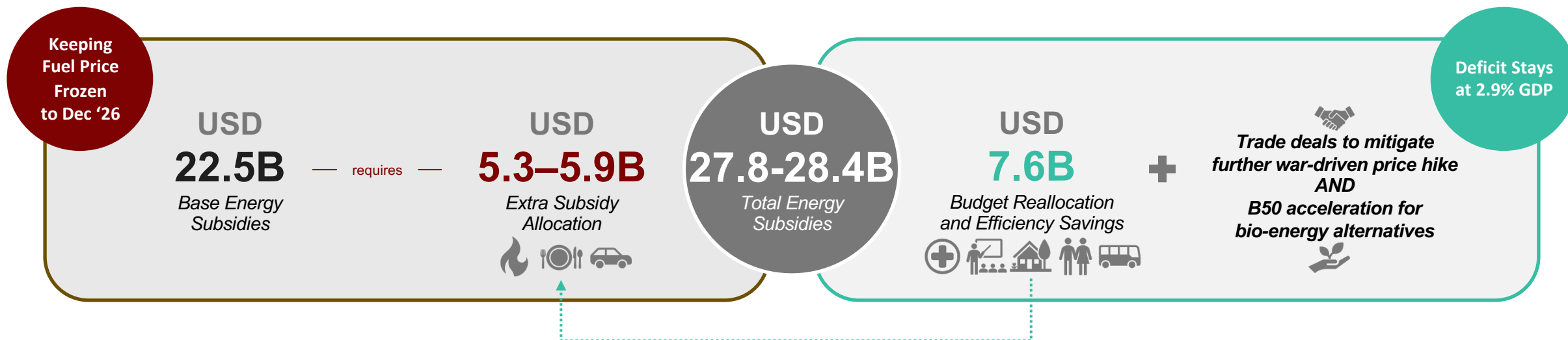
Economic Impact

Wellington Capital
Advisory



Subsidies are the political safety valve and the bill just got \$5.9B bigger

Indonesia's government has chosen to absorb the oil price shock rather than passing it onto consumers. A politically-expedient decision that is, in parallel, rapidly increasing monetary and fiscal concerns.



It is confirmed that Indonesia would need up to **IDR100 trillion (USD 5.9 Bn)** in additional energy subsidies this year as a direct consequence of the Iran War.

The additional spending will be funded through cuts to other government agency budgets — meaning schools, infrastructure, and public services will absorb the cost that households are being shielded from at the gas station.

The Legally Binding 3% of GDP Cap

That ceiling is not just an accounting rule; it is one of the last surviving legacies of the 1997–98 Asian Financial Crisis, a hard-won symbol of post-crisis fiscal discipline that has underpinned Indonesia's investment-grade credit rating for years.

The fuel shock is becoming a food shock and El Niño is arriving at the worst possible time

Oil price shocks are not confined to the fuel sector. They reverberate through fertilizers, packaging, transport, and agriculture — arriving at the dinner table of Indonesia families that never once thought about the Strait of Hormuz.

The Middle East is also the world's fertilizer factory and it is now offline

30-35%

Global Urea Exports

20-30%

Ammonia Exports

40%

Internationally Traded Nitrogen Fertilizer

All are normally transiting the Strait of Hormuz

- Since the War, fertilizer prices have surged **40%** overall — urea up **50%**, ammonia up **20%**.
- For Indonesia, where **millions of smallholder farmers depend on affordable fertilizer** to grow rice, corn, and generate palm oil, this is not an abstract global commodity story.
- It translates directly into **higher production costs, tighter crop yields, and food price inflation** that hits the bottom half of the income distribution hardest.

Palm Oil is now caught between two crises at once

- **Palm Oil export costs have soared by 50%** due to War-risk shipping premiums and logistics disruption.
- At the same time, the government's B50 biodiesel ambition — blending 50% palm oil into diesel fuel — is **creating a dangerous competition between food and fuel during El Niño conditions.**
- When crop yields fall and Palm Oil stocks decline, **every additional ton diverted into biodiesel is a ton taken away from cooking oil supply.**

Major institutions now expect inflation to accelerate

3.4%

Projected Inflation Rate for Indonesia (OECD)

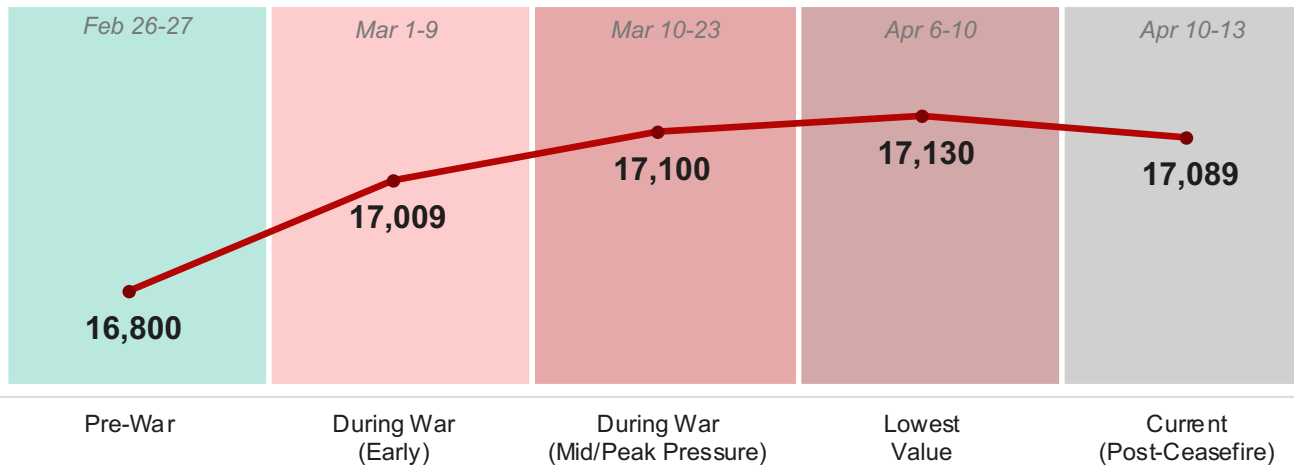
- The transmission mechanism is straightforward:
 - Higher oil means higher transport costs for every commodity moved across the archipelago;
 - Higher fertilizer expense means higher food production costs;
 - A weakening Rupiah makes all dollar-denominated imports — viz. wheat, soybeans, meat — more expensive simultaneously.

Capital is fleeing to safe havens and Indonesia was already fragile before the War started

The financial damage from the Iran War is compounding a set of pre-existing vulnerabilities. Indonesia entered 2026 with markets already under stress and the War has simultaneously pushed several indicators toward critical thresholds.

The Rupiah is sliding toward a psychologically-critical threshold and Bank Indonesia is using reserves to stabilize the trend

IDR/USD Exchange Rate Fluctuations Due to the 2026 Iran War



- Bank Indonesia has been actively intervening in foreign exchange markets to prevent a breach of the IDR17,000/USD threshold — a level describe as psychologically-critical for investor confidence.
- The dynamic is a 'vicious circle' whereby higher oil prices translates to a larger import bill which weakens the Rupiah, and makes the corresponding Rupiah-denominated import bill even more expensive.
- Every IDR1,000 of depreciation adds hundreds of billions of Rupiah to the cost of fuel imports alone.

The stock market and bond market are both telling the same story: foreign investors are leaving

- Indonesian stocks have fallen nearly 20% year-to-date, with a single two-day event on January 29 to 30 wiping out USD 120 billion in market value after MSCI warned that Jakarta could lose its Emerging-Market status.
- Since February 28, the sell-off has continued as global investors retreat to safe-haven assets such as US Treasury assets, gold, and the dollar.
- Foreign bond outflows are accelerating at a juncture when the government needs capital markets to absorb an expanding deficit.

Moody's and Fitch have already moved — a full downgrade would be a serious blow to Indonesia's credit standing

- Both Moody's and Fitch have cut their outlooks on Indonesian sovereign debt to negative — citing "**reduced predictability and coherence in the policymaking process**" and "**growing centralization of policymaking authority.**"
- For Indonesia, which has maintained Investment-Grade status as a hard-won post-1998 achievement, a downgrade would raise the cost of government borrowing, reduce the pool of eligible foreign investors, and signal to markets that the fiscal discipline of the past two decades is being eroded.

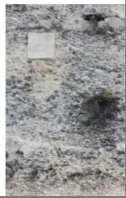
Bali is grounded, Palm Oil is stranded, and the trade squeeze is coming from both directions

Beyond the fuel pump, two of Indonesia's most important foreign exchange earners — tourism and commodity exports — are both taking simultaneous hits, while rising logistics costs squeeze industrial margins from within.

Bali lost 64 flights in the first week of the conflict and the forward-booking damage will outlast the airspace disruption

Bali's survival strategies as global conflict disrupts travel

March 28, 2026 21:48 GMT+700



Indonesia Braces for Huge Tourism Loss in 2026, Middle East Conflict Set to Slash 60,000 Visitors to Bali and Jakarta

Published on April 8, 2026



- The immediate disruption has eased — several airlines including Emirates have restored routes — but **the psychological damage to forward bookings is harder to reverse**
- The Iran War is projected to cost Indonesia approximately 60,000 fewer international visitors in 2026, translating to an **estimated tourism revenue loss of USD 118 million (IDR 2.04 trillion)**

Export costs are soaring while global demand is softening, a classic double squeeze on Indonesian trade

Iran War: Indonesian Palm Oil Price to Rise, But Importers Might Hold Back

Tri Listiyarini

SHARE

HOME / PALM OIL NEWS / INDONESIA'S PALM OIL EXPORT DEMAND COOLS AS MIDDLE EAST CONFLICT LIFTS FREIGHT, INSURANCE COSTS

Indonesia's palm oil export demand cools as Middle East conflict lifts freight, insurance costs

[JAKARTA] Export orders for new shipments of palm oil have moderated after the US-Israel war with Iran drove up logistics and insurance costs, Indonesian Palm Oil Association (Gapki) said on Wednesday (Mar 11).

Indonesia is the world's largest exporter of palm oil, which is used in food, cosmetics and cleaning products.

The oil accounts for more than half of global vegetable-oil shipments and is widely consumed in emerging markets such as India.

- Palm Oil export costs have **surged 50%** due to elevated shipping war-risk premiums and disrupted logistics corridors. This has severe implications for Indonesia, the world's largest Palm Oil producer and exporter
- At the same time, if global growth slows as a result of the conflict — demand for Indonesian exports will soften precisely as the associated costs of producing and shipping rises

Overall Outlook: Four major institutions have revised Indonesia's growth forecast

The gap between official optimism and institutional forecasts is widening. What began as external shock management is now a credibility test for an administration whose economic narrative was already under strain prior to the War.

Institutional Economic Forecast for Indonesia's Economy

Institution	Revised Projection (annual % change)
World Bank	4.7%
Organisation for Economic Cooperation and Development (OECD)	4.8%
International Monetary Fund (IMF)	5.1%
Asian Development Bank (ADB)	5.2%

- The World Bank cut its 2026 Indonesia growth forecast to 4.7% in its April update, down from 4.8% in October 2025.
- The OECD revised down to 4.8% in late March, while projecting inflation accelerating to 3.4%.
- The ADB, which held its forecast at 5.2%, explicitly flagged that downside risks had intensified due to the Iran War.

The Indonesian government has refused to revise its official 5.4% growth target for 2026, with the Finance Minister dismissing the World Bank cut as "imprecise."

"The World Bank may be right, but I don't know. What I know is the numbers that I have are improving, and we'll maintain that."

Minister of Finance Purbaya Yudhi Sadewa give a press statement Jakarta on April 6, 2026



Indonesia's Response Navigating the Shock

Wellington Capital
Advisory



Facing a sudden disruption to half its crude and LPG imports, Indonesia did not wait for markets to recover. It activated diplomatic levers simultaneously across East and West — completing a supply diversification in weeks that would normally have taken years.



- Indonesia rapidly redirected its LPG procurement: **70% of its 2026 LPG imports (7.8 million tons) are now sourced from the United States, bypassing Hormuz-route supply chains entirely.**
- For the 70 million Indonesian households who cook daily using the subsidized 3kg LPG cylinder, this pivot meant supply security was **maintained without a single day of shortage.**
- Indonesia and USA have agreed to elevate their defense ties to a Major Defense Cooperation Partnership (MDCP) in order to **strengthen cooperation for peace and stability in the Indo-Pacific region** – formalized during a meeting between Indonesian Defense Minister Sjafrie Sjamsoeddin and US Secretary of War Pete Hegseth at the Pentagon, Washington, on Monday (Apr 13).



- President Prabowo flew to the Kremlin with Energy Minister Bahlil Lahadalia for a five-hour bilateral meeting with President Putin. The outcome exceeded expectations. Indonesia and Russia agreed to **concrete cooperation across crude oil supply, LPG, petroleum products, refinery development and energy technology.**
- Russia confirmed readiness to offer a comprehensive, long-term energy supply arrangement, including storage support. Discussions also covered **the potential development of a nuclear power plant** in Indonesia, a landmark step toward a diversified low-carbon base load.



- President Prabowo made back-to-back state visits to Japan and South Korea at the end of March and beginning of April 2026. The main goal was to strengthen energy security commitments, secure alternative supplies, and **attract major investments to cushion Indonesia's fiscal burden from higher oil import costs.**
- The Japanese visit resulted in business and investment commitments worth approximately **USD 23.6 billion (~IDR401 trillion)**. Later, the Korea visit secured investment deals worth **USD10.2 billion (~IDR173 trillion)**, with a bilateral emphasis on critical minerals, clean/renewable energy, technology, financing and resource supply chains.
- The two visits delivered total investment commitments of around **USD33.9 billion (~IDR575 trillion)** in just a few days. **These deals help Indonesia diversify energy sources away from Middle East risks, accelerate the green energy transition and B50 biodiesel program, reduce long-term subsidy pressure, and support Prabowo's economic growth targets without raising domestic fuel prices.**

The crisis has done what a decade of policy debate could not — energy sovereignty is now an urgent national priority

The Iran War has compressed years of deferred energy reform into months of decisive action — from a Presidential solar pledge to accelerated geothermal commitments, and a structural pivot away from the subsidized LPG dependency that has long made Indonesia's household welfare hostage to Middle East volatility.

Prabowo's 100GW solar pledge reframes Renewables as a security policy, not an environmental pledge

“Within three years, we want to reach 100 gigawatts of solar energy. For us, this is more urgent because of the situation that we see, the geopolitical situation in the Middle East...”

President Prabowo at the Indonesia–Japan Business Forum in Tokyo



100 GW
Solar Energy Capacity
Mandated by
President Prabowo

20 GW

Centralized Utility-Scale
Solar PV Projects

80 GW

Decentralized Village-Scale
Solar PV Projects
(~80,000 villages)

*The World Bank estimates Indonesia has a **combined potential of 65,000GW of untapped renewable energy - 97% unrealized.** The War has pushed open the political window as a means of fully unlocking it.*

Switching 70 million households from LPG to Electric Induction is the structural reform that permanently disrupts the embedded Hormuz dependency

USD 58-117
(IDR1-2 million)

Estimated saving per household
per year in subsidies

USD 19 million
(IDR330 billion)

Estimated saving by directing budget to
transition aid for 300,000 households

- If coupled with the 100GW solar buildout, the domestic energy requirement comes from natural sources rather than from imported gas supplies.
- The Iran War has made this argument not just economically compelling but politically viable for the first time. The public now understands viscerally why energy sovereignty matters, making the case for reform becomes far more evident than it was six months ago.
- Meanwhile, accelerated B50 biodiesel blending and geothermal fast-tracking are also expanding Indonesia's domestic energy base.
- The breadth and depth of these initiatives — across clean energy, fossil fuel diversification, and domestic processing — reflects a government that has moved from **reactive crisis management to a proactive long-term energy architecture strategy**, treating the Iran War as an inflection point rather than merely a disruption to be absorbed.

Indonesia is 'holding the line' for 280 million people and the Government still has room to manoeuvre

Measured against the scale of the initial shock, Indonesia's fiscal management has been notably steady. The government has protected consumers, maintained an investment-grade posture, and avoided the emergency price adjustments that have triggered unrest in other countries — at the same time as actively building new buffers.



Fuel prices held frozen - one of the few countries in the region to fully shield consumers from the price spike

The government confirmed that **Pertalite remains at IDR 10,000/litre and diesel at IDR 6,800/litre** — unchanged despite oil trading ~40%+ above budget assumptions.

Indonesia stands out regionally: the Philippines declared a national energy emergency on March 24, Myanmar restricted private vehicle use to alternate days, and South Korea reinstated fuel price caps dropped in the 1990s.



A 22-day fuel reserve and USD 490T budget buffer give Indonesia a longer runway than most neighbouring economies

The country entered the crisis with a 22-day national fuel reserve, **providing critical breathing room while supply chain pivots were executed.**

Finance Minister Purbaya confirmed in April that the **budget surplus buffer of IDR 490 trillion remains available as a “firewall” if conditions deteriorate further**



Growth forecasts remain among ASEAN's strongest - and the ceasefire offers a path toward normalization

Indonesia's 2026 growth forecasts remain at 4.7% to 5.2% across four major institutions, placing it among the best-performing large emerging markets globally during a period of historic global energy shock.

Indonesia's combination of **supply diversification, fiscal buffers, and energy reform acceleration** positions it to emerge from the crisis structurally stronger, not just temporarily stabilized.

About **Wellington Capital Advisory**

Wellington is an independent advisory firm, staffed by senior executives with decades of cross-sector operational experience in Indonesia.

We assist both investors and company owners to address complex strategic and operational issues within their early-stage enterprises.

10+
years
*in-country
operations*

50+
years
*combined-partner
experience*

\$1.5+
billion
*total capital
advised*

30+
*satisfied
clients*

Stay connected with us
for more updates!

