Fiscal & Economic Updates

August 2021

"Maintaining The Momentum of Recovery"

The Team
Investor Relation Unit

Hidayat Amir, PhD
Director for Center of Macroeconomic Policy

Putri Rizki Yulianti
Coordinator of Investor Relation Unit

Riznaldi Akbar
Advisor

Suhendi Saputro
Head of Knowledge Management

Indra Budi Sucahyo
Analyst

Nina Hanifah
Staff

Adi Triyono
Staff

Andi Yoga Trihartanto
Staff

Should you have further questions, please do not hesitate to contact us:

https://fiskal.kemenkeu.go.id/informasi-publik/investor-relation-unit

IRU@kemenkeu.go.id

Disclaimer

This presentation was prepared by the Fiscal Policy Agency, Ministry of Finance, Republic of Indonesia. This presentation is for your information and is subject to change without notice. By accessing this presentation, you are agreeing to be bound by the restrictions set out below. Any failure to comply with these restrictions may constitute a violation of applicable securities laws.

This presentation contains forward looking statements that involve risk and uncertainties. All statements other than statements of historical facts are forward-looking statements. These statements involve known and unknown risk, uncertainties and other factors that may cause the actual result performance or achievements of the Republic Indonesia to be materially different from those.

This presentation may not be reproduced, disseminated or quoted without the prior written consent of the Ministry of Finance of Indonesia. Relaying copies of this presentation to other persons elsewhere is prohibited.

NOT FOR PUBLICATION OR DISTRIBUTION, DIRECTLY OR INDIRECTLY, IN ANY JURISDICTION IN WHICH SUCH PUBLICATION OR DISTRIBUTION WOULD BE PROHIBITED BY APPLICABLE LAW

Should you have further questions, please do not hesitate to contact us:

https://fiskal.kemenkeu.go.id/informasi-publik/investor-relation-unit

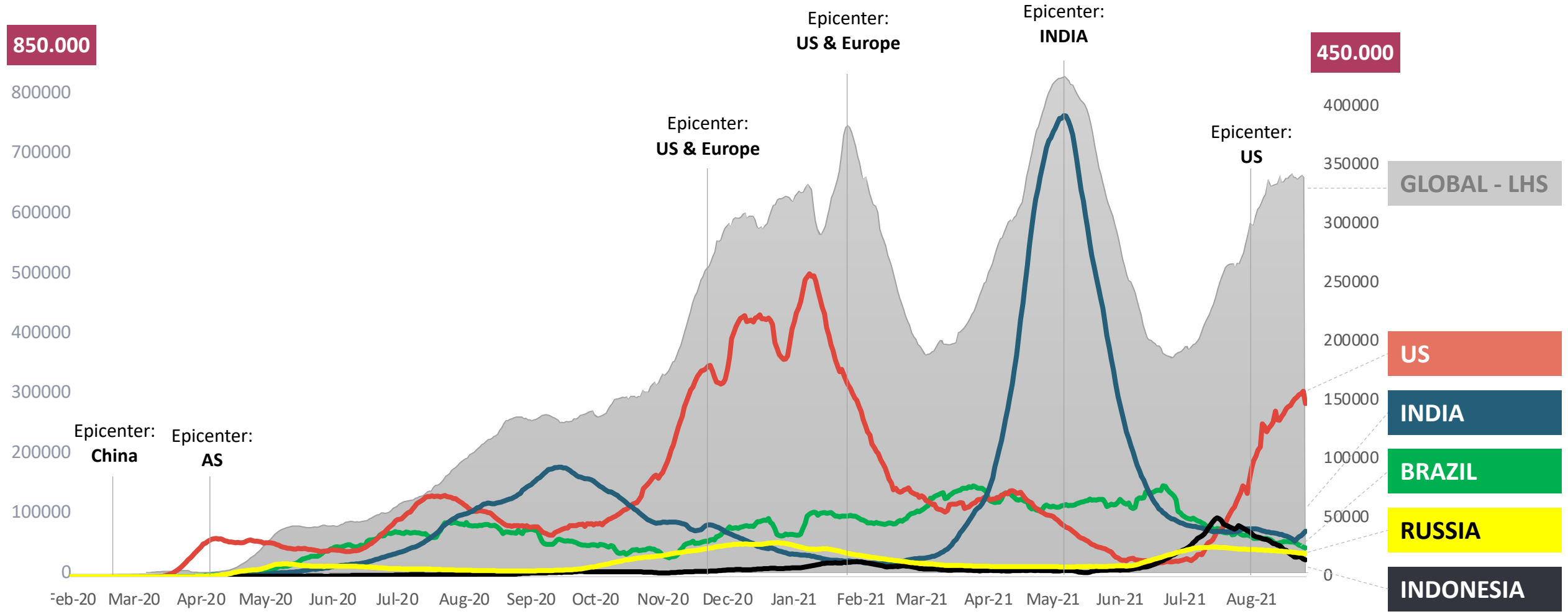
IRU@kemenkeu.go.id

DEVELOPMENT OF THE COVID-19 PANDEMIC AND RECENT ECONOMIC UPDATES

THE GLOBAL COVID-19 WAVE MAKES ANOTHER WAVE WITH THE EPICENTERS IN LARGE POPULATIONS, ESPECIALLY UNITED STATES AND INDIA

The trend in Indonesia's cases was relatively low compared to other countries with large populations before the delta variant hit Indonesia. Currently, daily cases in Indonesia have experienced a significant decline, leaving its peak in mid of July

Covid-19 Daily Cases (7dma) in Some Populous Countries



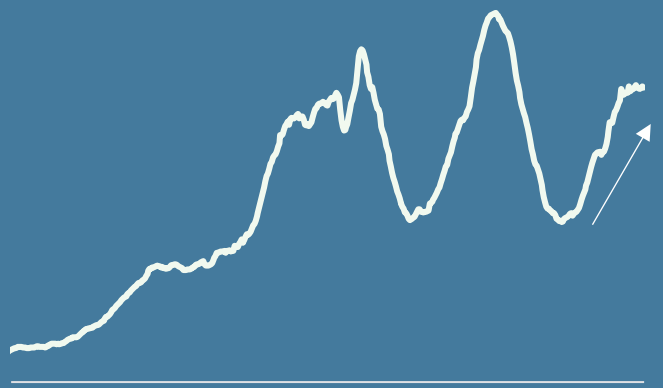
Source : worldmeters.info/coronavirus as of 28 August 2021, processed

THE DELTA VARIAN BECOME THE MAJOR CHALLENGE GLOBALLY IN 2021

Indonesia give fast and effective response, and will keep vigilant

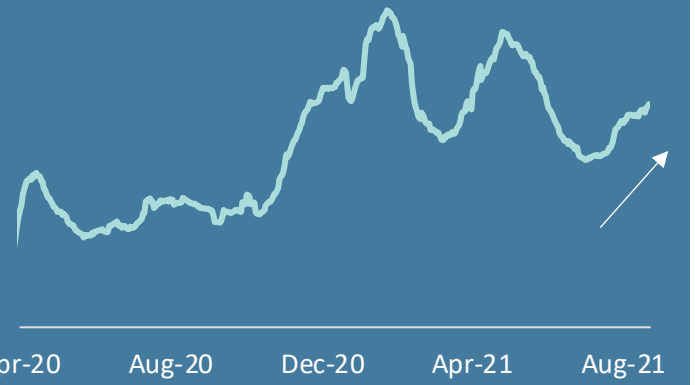
COVID-19 GLOBAL CASES (28 August)

Total = **216.7million** cases
7 days average = **641 thousand** cases



COVID-19 GLOBAL DEATH (28 August)

Total = **4.5million** death
7 days average = **9,793** death



Source: worldmeters.info, ourworldindata

Daily Cases by Countries (7DMA, thousand)

		per 1 mio population
US	145.7	440
India	38.7	28
Iran	36.4	433
UK	34.0	501
Brazil	24.6	116
Japan	22.8	180
Malaysia	21.5	663
Russia	19.6	134
Turkey	18.9	224
Thailand	18.2	260

Indonesia daily case 14.2 thousand (52 per 1 million population)

Cumulative Cases by Countries (million)

		% population
US	39.6	12.0
India	32.7	2.4
Brazil	20.7	9.8
Russia	6.9	4.7
France	6.7	10.0
UK	6.7	9.9
Turkey	6.3	7.5
Argentina	5.2	11.4
Colombia	4.9	9.6
Iran	4.9	5.8

Indonesia cumulative cases 4.0 million (1.5% population)

Daily Death by Countries (7DMA)

		per 1 mio population
US	1,031	3
Indonesia	861	3
Russia	794	5
Mexico	724	6
Brazil	687	3
Iran	650	8
India	494	0.4
Vietnam	409	4
S. Africa	316	5
Malaysia	267	8

Cumulative Death by Countries (thousand)

		% population
US	654.4	0.2
Brazil	579.1	0.3
India	437.9	0.03
Mexico	257.2	0.2
Peru	198.2	0.6
Russia	180.0	0.1
UK	132.4	0.2
Indonesia	131.4	0.05
Italy	129.1	0.2
Colombia	124.7	0.2

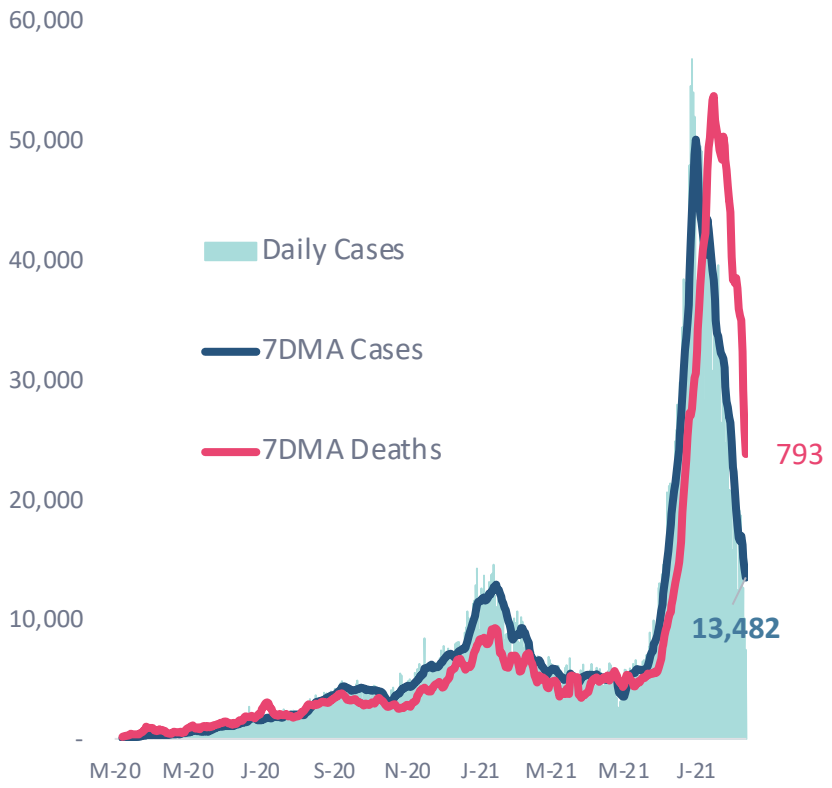
INDONESIA ALREADY PASSED THE PEAK OF THE SECOND WAVE OF COVID-19

We must stay vigilant due to very high uncertainty from Covid-19

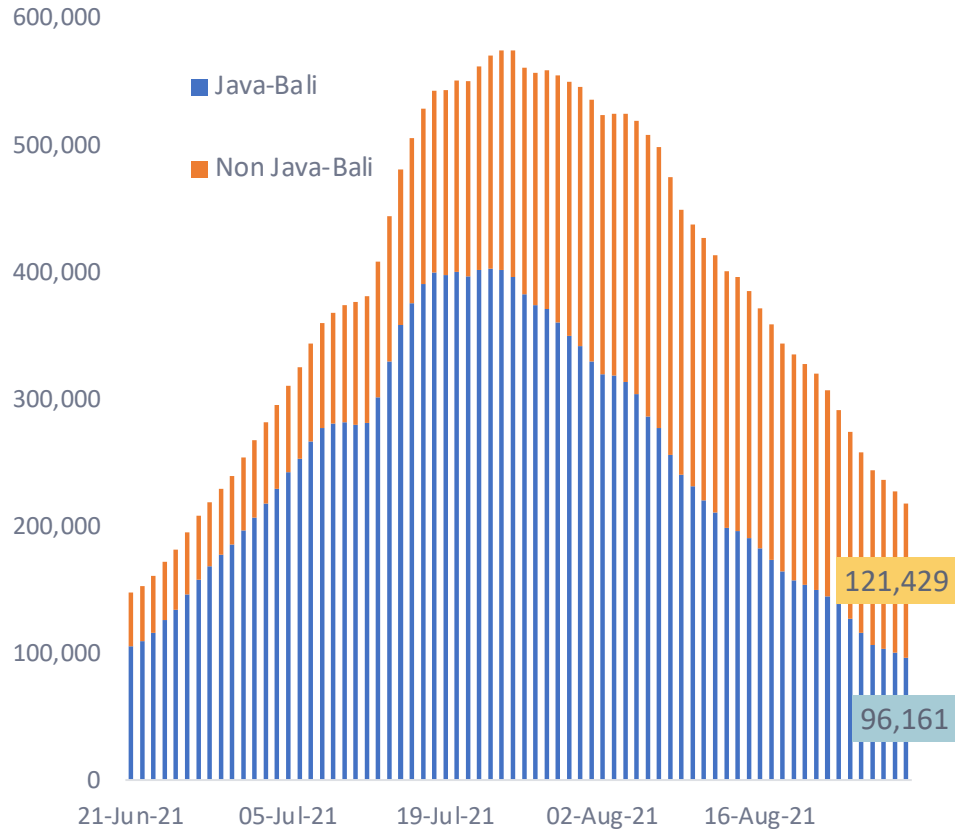
INDONESIA COVID-19 (29 AUGUST 2021)

TOTAL CASES	DEATH	RECOVER	ACTIVE CASES	VACCINE
4,073,831	131,923	3,724,318	217,590	96.51 Mil Doses
(510 district/region)	(3.2%)	(91.4%)	(5.34%)	(23.2%)

Daily Cases and Death



Active Cases



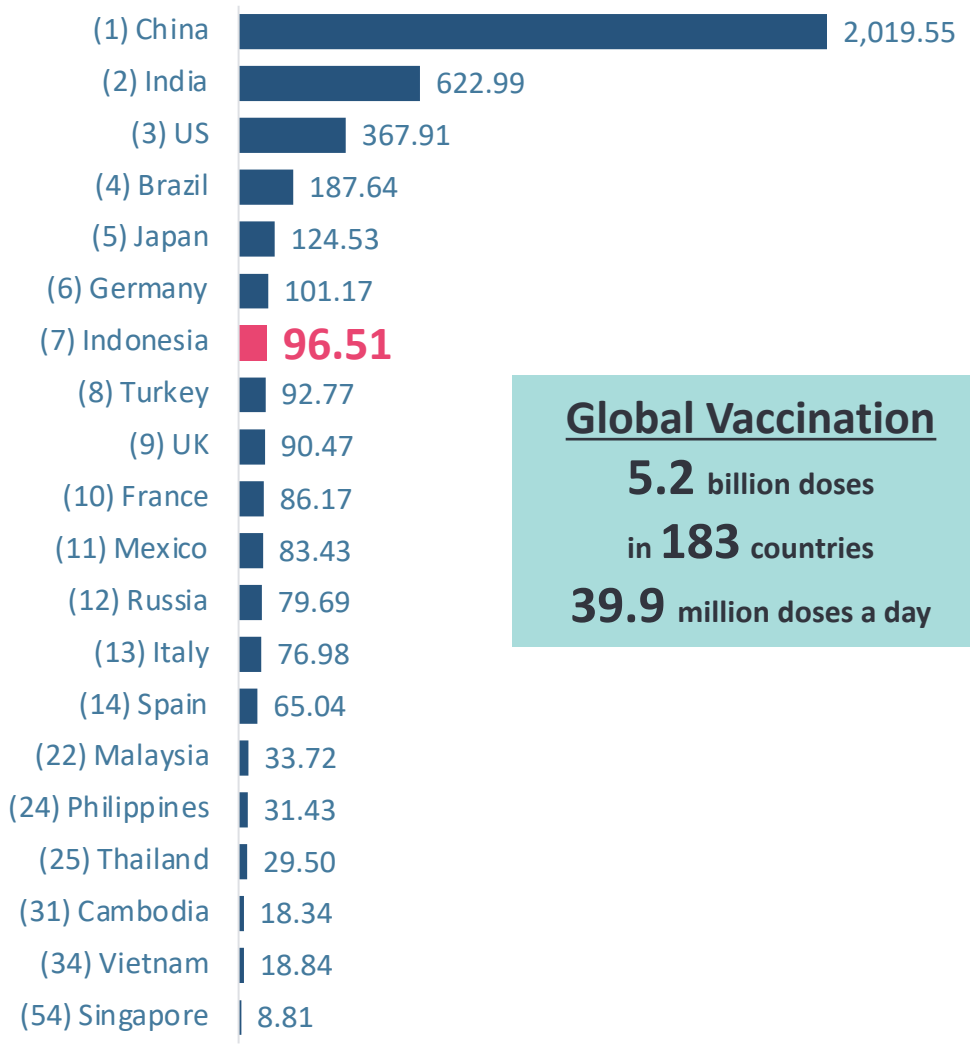
- **Daily cases and death rates have decreased in line with the implementation of restriction policy.** Pandemic control will continue to be improved.
- **Covid-19 active cases have decreased significantly,** especially in Java-Bali.
- **Vigilance and discipline must be maintained with 5M and 3T.**
- **Vaccination still has to be accelerated to reach the target of** 208 million people by the end of 2021.

VACCINATION KEEP PROGRESSING

Continue to be accelerated as one of the main efforts in controlling the pandemic

COVID-19 Cumulative Vaccination Number (Doses)

As Of 29 August 2021



Global Vaccination

5.2 billion doses

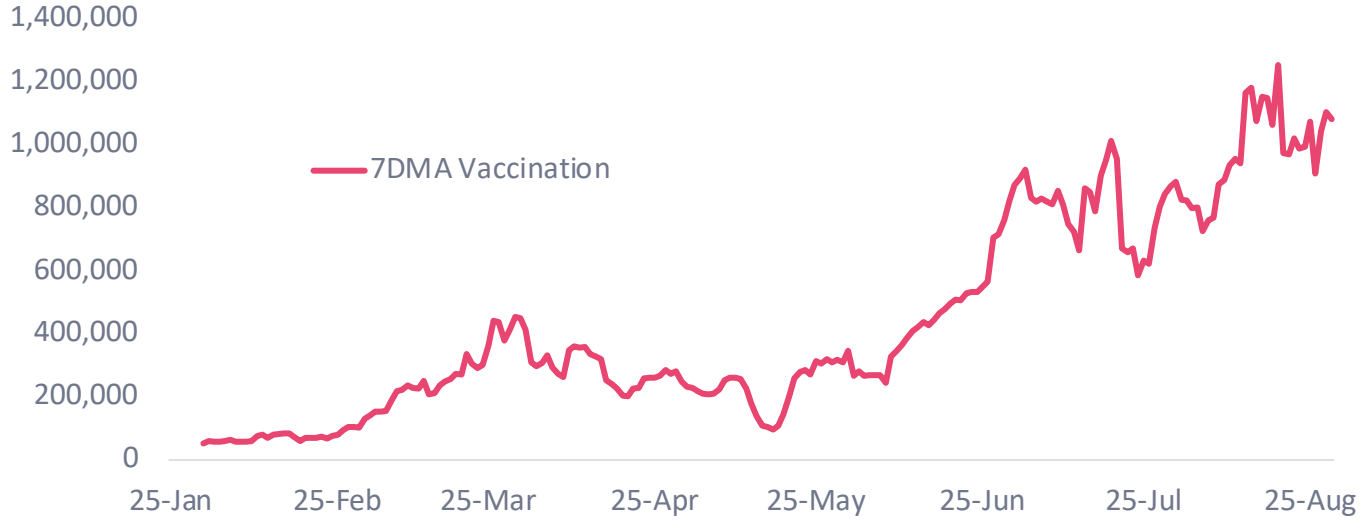
in **183** countries

39.9 million doses a day

Source: Bloomberg Vaccine Tracker, Ministry of Health, processed

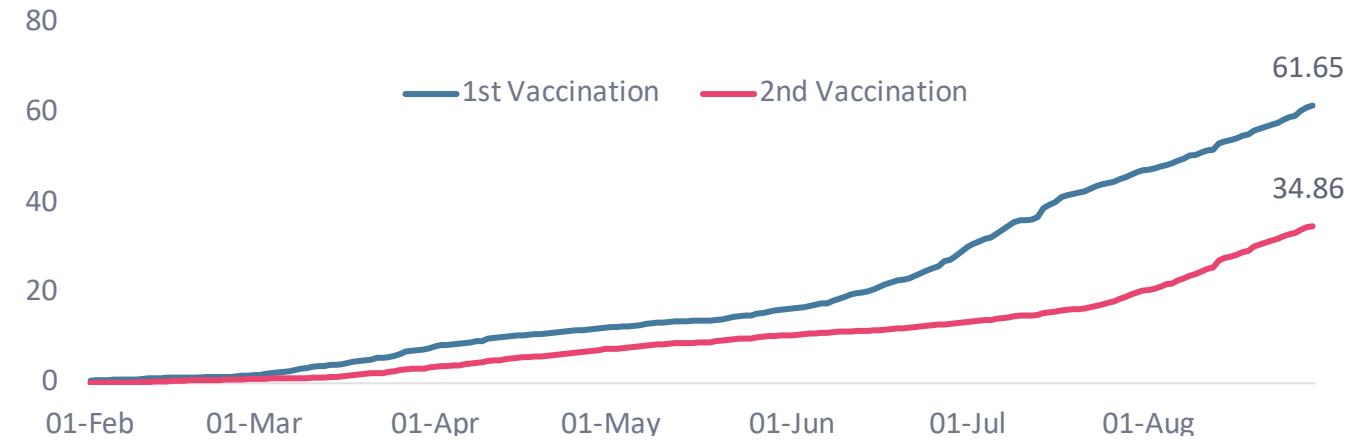
Indonesia 7DMA Daily Vaccination

As Of 29 August 2021



Cumulative Realization, 1st and 2nd Doses (Million Doses)

As of 29 August 2021



GLOBAL ECONOMIC SNAPSHOT

The momentum for global economic recovery continues into July, although it is overshadowed by various risks and uncertainties

REBOUND

G-20 and ASEAN countries recorded **economic growth rebound** in Q2 2021.

POSITIVE TRENDS OF VARIOUS INDICATORS CONTINUE UNTIL JULY

PMI MANUFACTURE in July booked a solid growth of 55.4, supported by strong performance in the US and Europe. Global PMI expands for 13 consecutive months.

GLOBAL TRADE is getting stronger, Baltic Dry Index July was at a high level in line with the expansion of reopening, especially in developed countries.

COMMODITY PRICES in increasing trend, including Indonesia's main commodity such as Coal, Nickel, and CPO.

DELTA VARIANT

The Delta variant keep spreading to 148 countries (as of August 17).

COVID-19 GLOBAL CASES AND DEATH ARE INCREASING

Mainly driven by the spread of the Delta variant. Several countries have escalated the restrictions policy.

UNEVEN ECONOMIC RECOVERY

The recovery gap between developed and developing countries is increasingly visible.

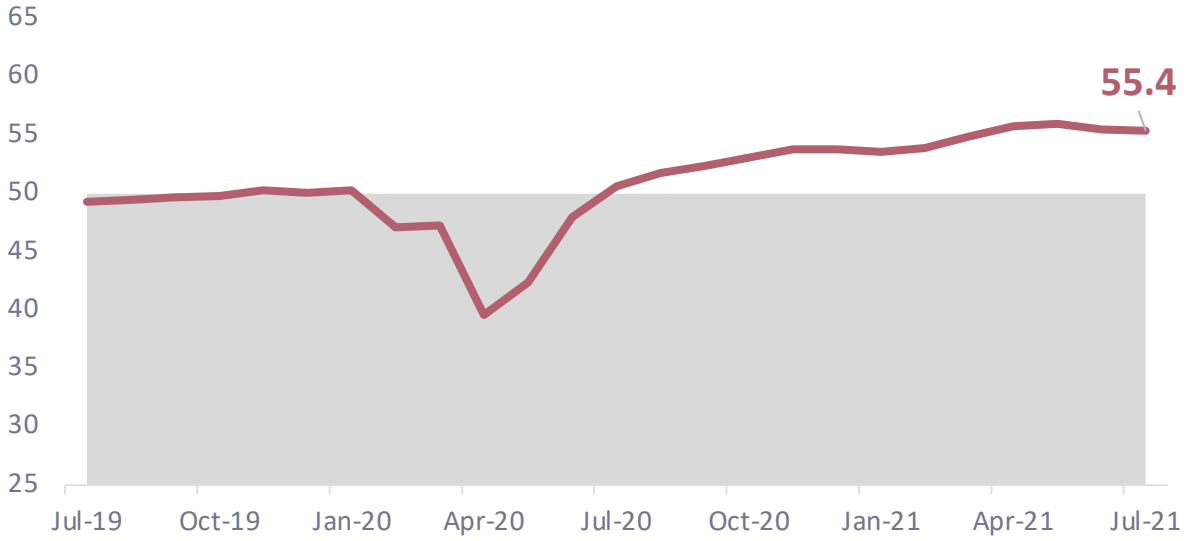
THE RISING OF INFLATION IN DEVELOPED COUNTRIES

The increase of inflation in developed countries which are already above 2% (above the medium-long term target).

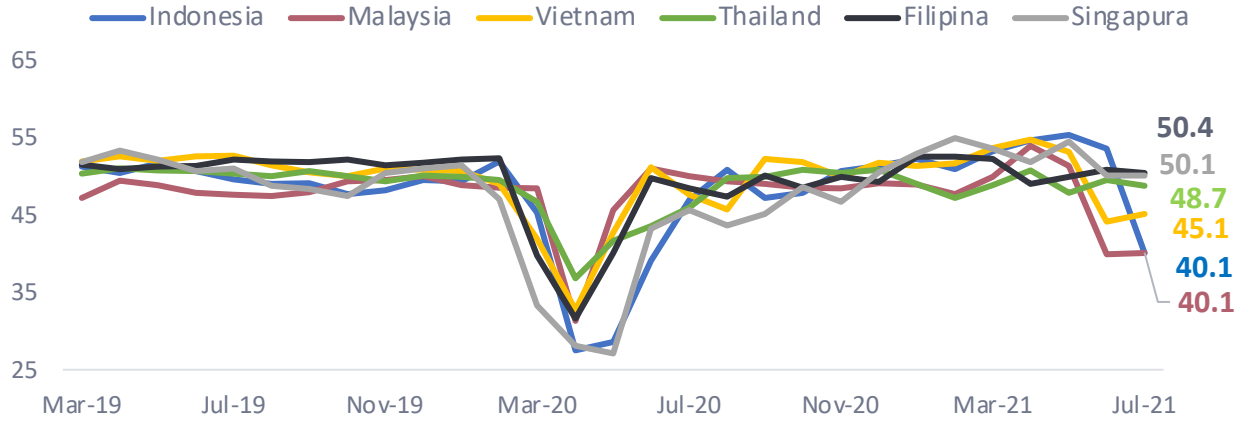
IN JULY, GLOBAL MANUFACTURING IS STILL IN THE EXPANSION TREND, EXCEPT SOME OF ASEAN COUNTRIES (INCLUDING INDONESIA) THAT WERE AFFECTED BY THE ESCALATION OF THE CASE OF COVID-19

PMI MANUFACTURE JULY 2021

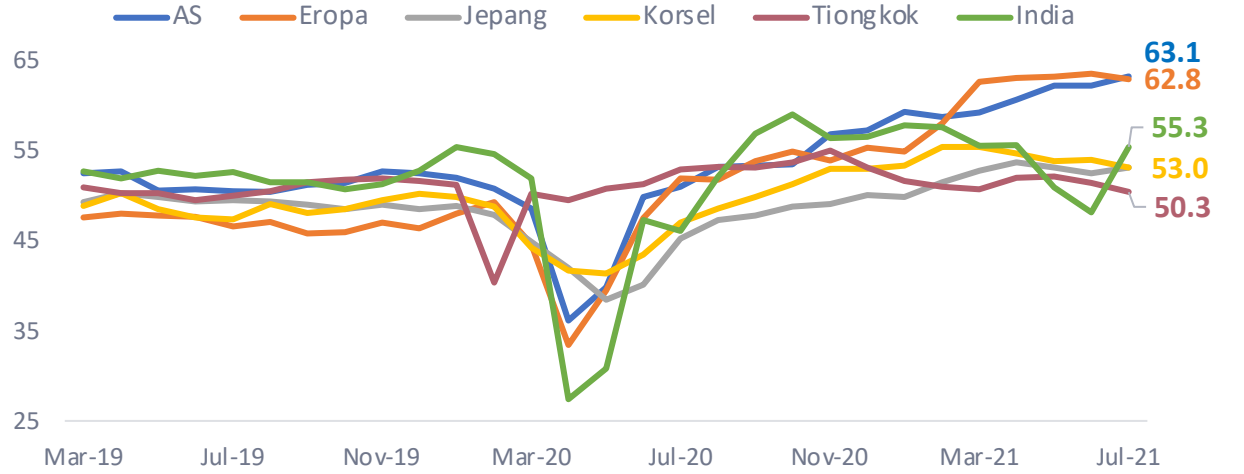
GLOBAL



ASEAN-6



Indonesia Trading Partner



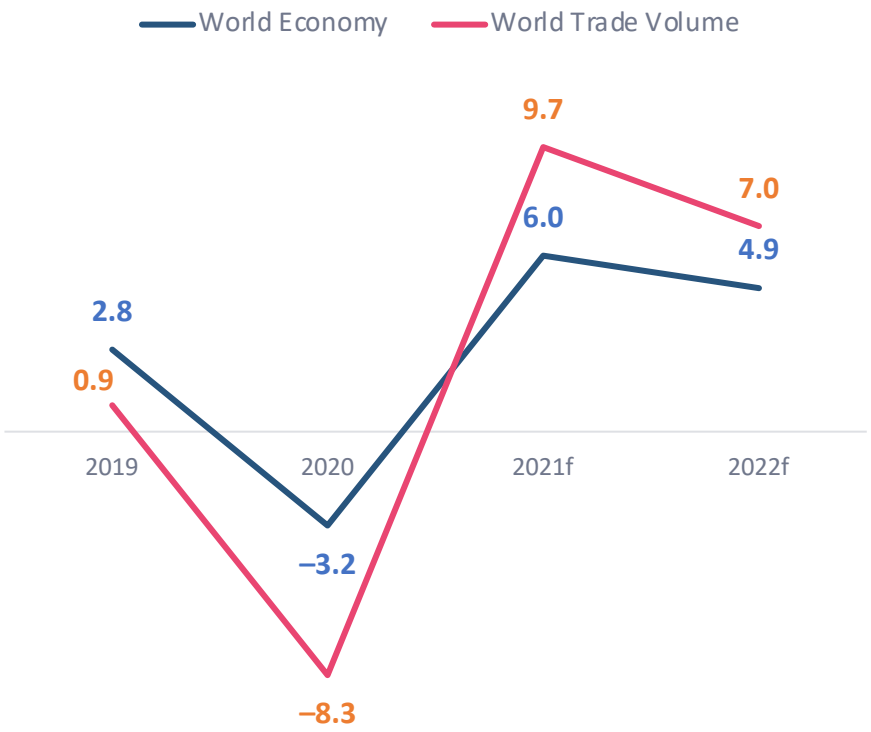
- **In July 2021 Global Manufacturing PMI remains expansive and stable at 55.4.** Manufacturing performance that is still strong in many developed countries, such as the US and Europe, is a factor driving global manufacturing levels to be maintained.
- **Contractions in the manufacturing sector also occurred in various countries that were facing a surge in cases due to the delta variant**, including developing countries and ASEAN.
- **Aktivitas sektor manufaktur Indonesia juga tertahan di Juli 2021** seiring dengan tren peningkatan kasus varian delta yang tinggi dan pemberlakukan PPKM Level IV

Source: Bloomberg, IHS Markit, processed

THE GLOBAL ECONOMY IS PREDICTED TO RECOVERY IN 2021 & 2022

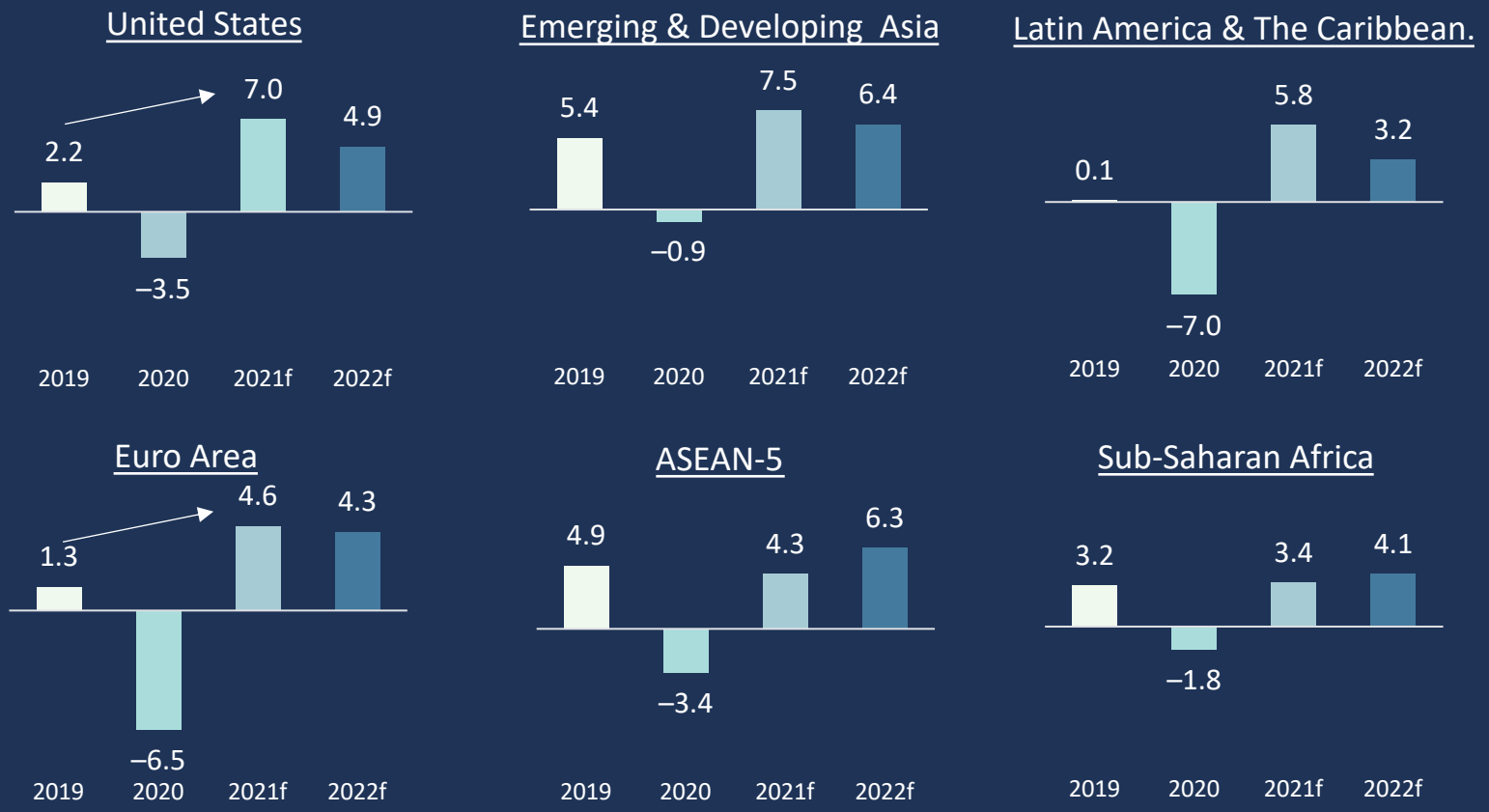
However, the recovery speed is still uneven

GLOBAL ECONOMIC GROWTH AND TRADE VOLUME PROJECTION BY IMF (%, YOY)



- **World economic growth and international trade will recover** in 2021 and 2022.
- The recovery was supported **by vaccinations, stimulus, and socio-economic activities which gradually improved** amidst the adaptation of new habits.

IMF REGIONAL ECONOMIC GROWTH PROJECTIONS (%, YOY)



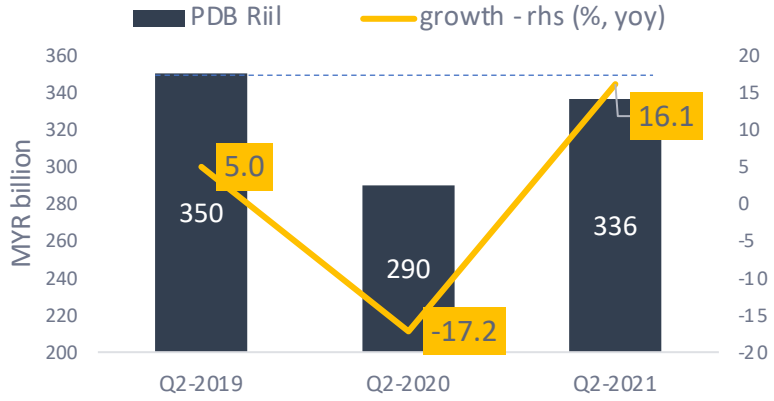
- Countries with high vaccination speed and access as well as large stimulus capabilities such as **the US and Europe are projected to have strong growth.**
- China & India are still the engines of growth in Asia. However, generally **the developing countries are still facing the challenge of vaccination speed.**
- **The projection is still shadowed with uncertainty** due to the widespread of the Delta variant. *(IMF projections released on 27 July have not fully accommodated this development)*

Source WEO IMF, July 2021

INDONESIA'S ECONOMY HAS PASSED PRE-PANDEMIC LEVEL

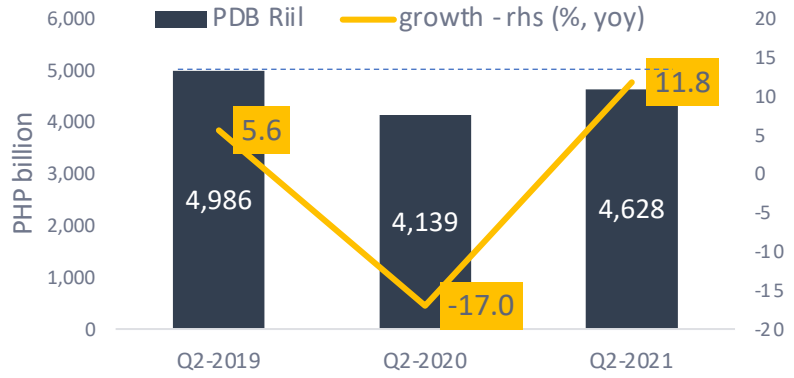
Indonesia's GDP growth Q2-2021 brings the Indonesian economy beyond pre-pandemic levels

Malaysia



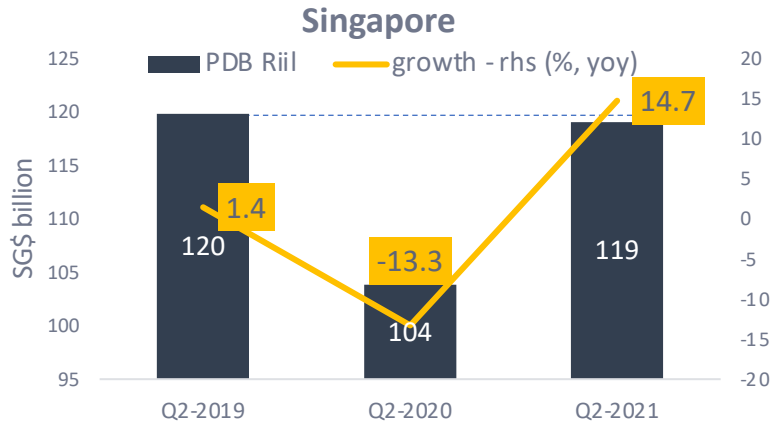
Fiscal Deficit % (IMF)	2019	2020	2021f
	-2.2	-5.1	-4.4

Philippines



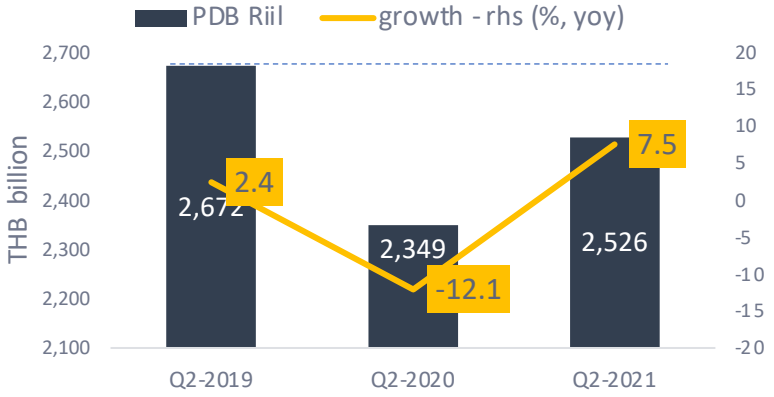
Fiscal Deficit % (IMF)	2019	2020	2021f
	-1.8	-5.5	-7.4

Singapore



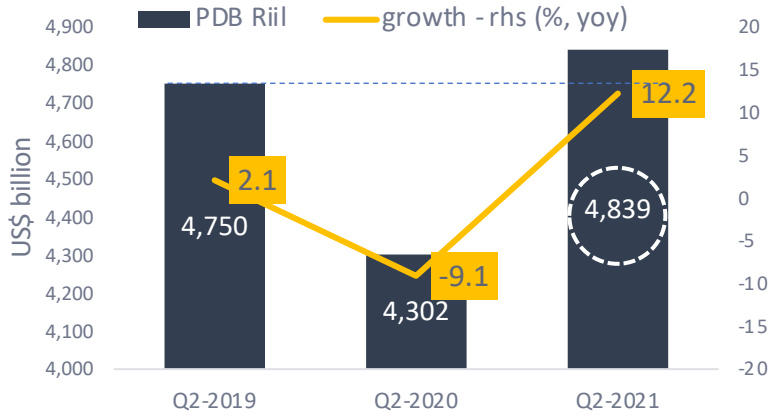
Fiscal Deficit % (IMF)	2019	2020	2021f
	3.8 (surplus)	-8.9	-0.2

Thailand



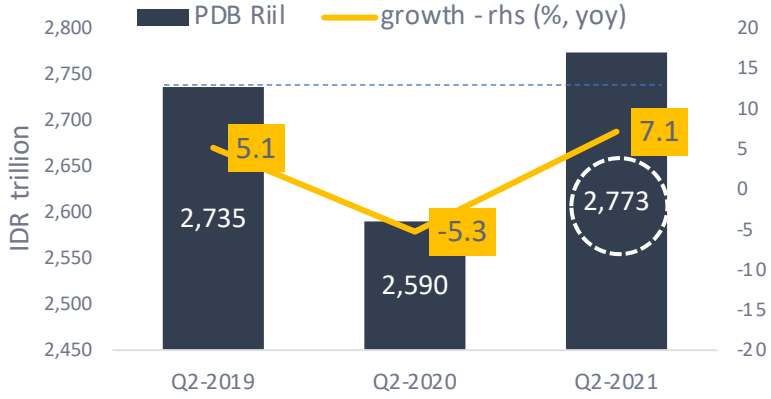
Fiscal Deficit % (IMF)	2019	2020	2021f
	-0.8	-4.7	-4.9

US



Fiscal Deficit % (IMF)	2019	2020	2021f
	-5.7	-14.7	-13.3

Indonesia



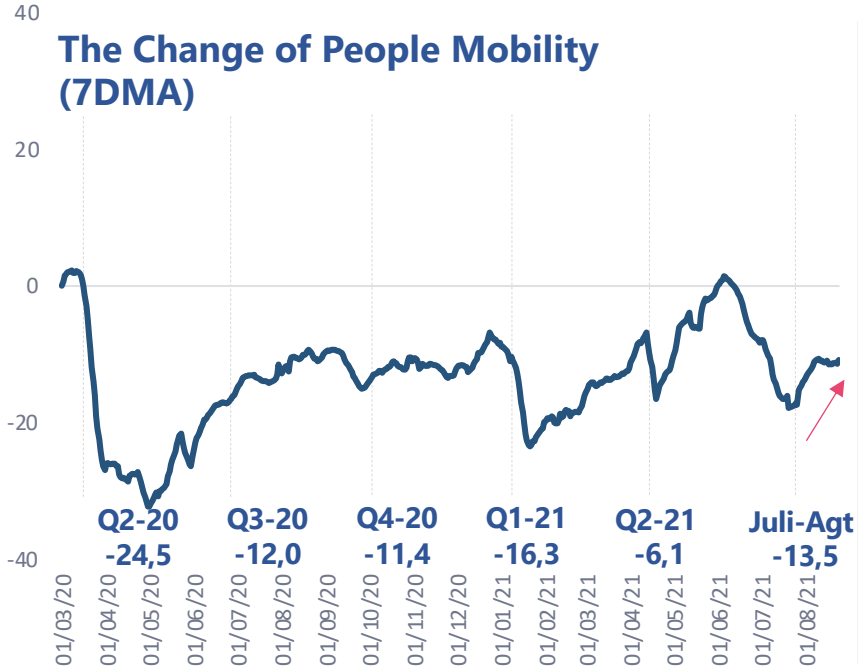
Fiscal Deficit (MoF)	2019	2020	2021f
	-2.2	-6.1	-5.8

Sumber: IMF, CEIC & Bloomberg, diolah

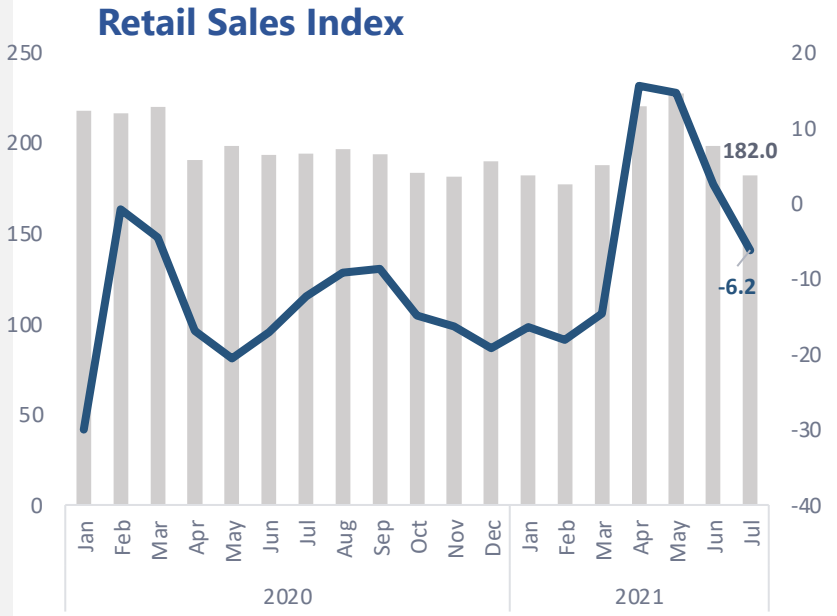
AFTER EXPERIENCING A DOWNTURN, SOME INDICATORS ARE SHOWING AN INCREASE

This development is in line with the effort to control the COVID-19 cases.

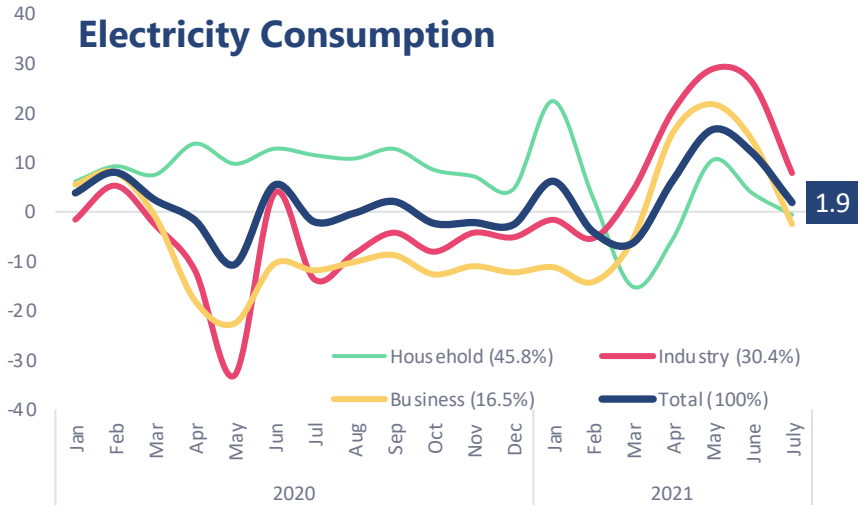
- **After experiencing a downward trend to -17.7 in July, the people mobility has consistently increased** until the second week of August. mainly in retail, recreation, and grocery and pharmacy.
- This development is in line with **controlled in COVID-19 cases.**



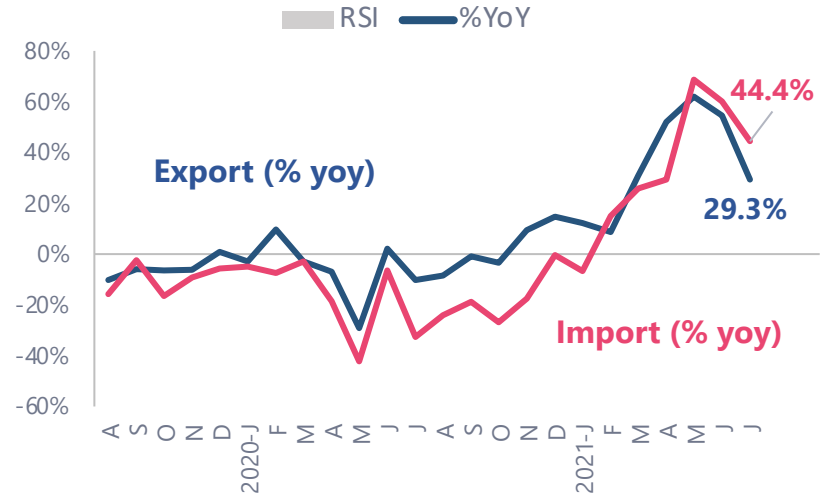
- Even the retail sales index dropped during the recent restriction in July, its impact relatively low compare to the previous restrictions and expected to bounce again in September.



- **In July, electricity consumption grew positively by 1.9% (YoY),** although it was relatively slow from the previous month.



- **Export-import performance still strong** posted double digit growth and an increasing trade balance surplus



THE EFFECTIVENESS OF RESTRICTION POLICY WILL SUPPORT THE CONTINUATION OF ECONOMIC RECOVERY FOR THE REST OF 2021

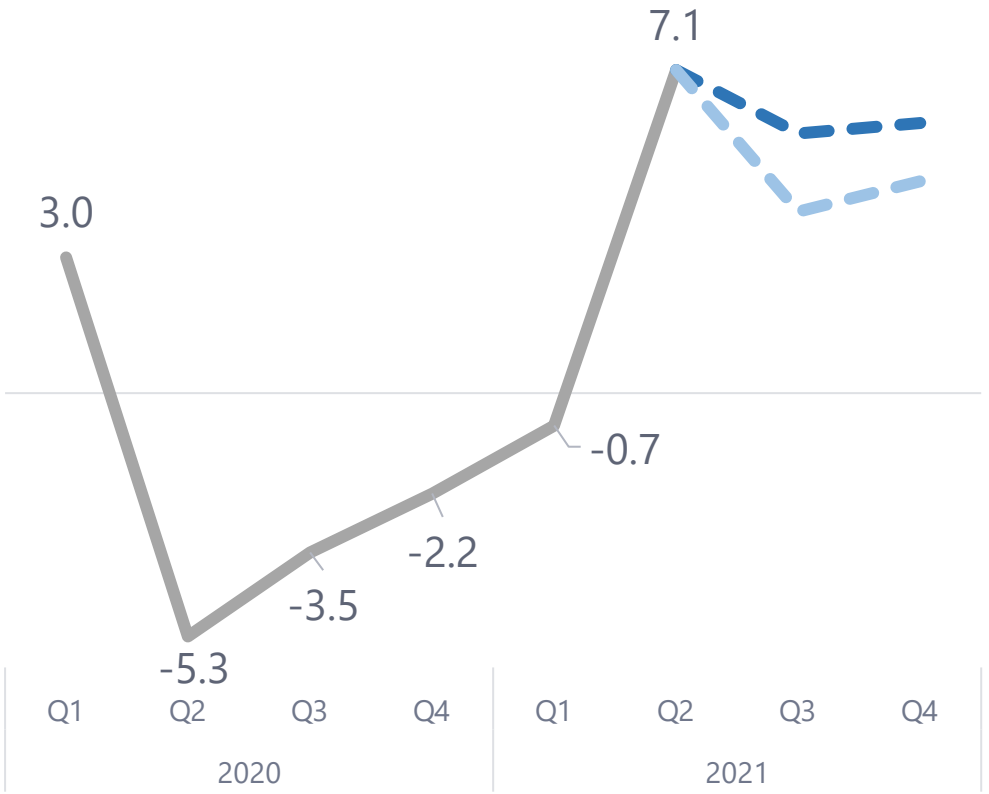
The implementation of PPKM Level 4 temporarily limits activities, but effectively suppresses the spike of Covid-19 cases

Economic indicators were relatively mixed in July, but **signs of increased activity are starting to appear** as Covid-19 cases are under control

- **Some indicators show a slowdown in July**, i.e., PMI Manufacture, Consumer Confidence Index, Retail Sales Index.
- **Some indicators are resilient, by grew positively**, i.e., electricity consumption, cement consumption, car sales, export and import.
- **As of August, people's mobility as has started to increase gradually**, after declining sharply in July

INDONESIA ECONOMIC GROWTH

(% YOY)



Source: Indonesia Statistics, projection by Ministry of Finance

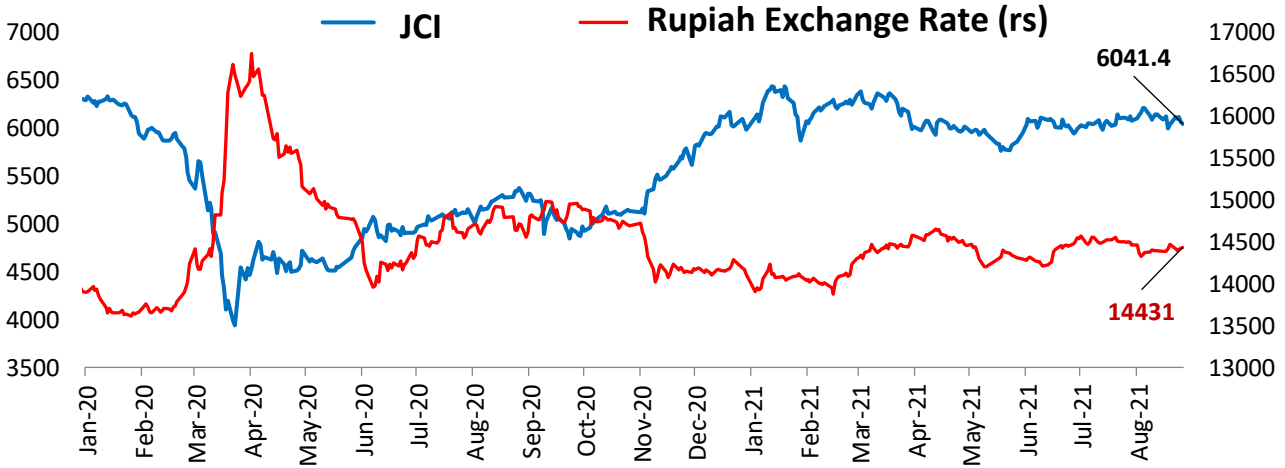
2021 Economic Growth Outlook

3.7 - 4.5% (YoY)

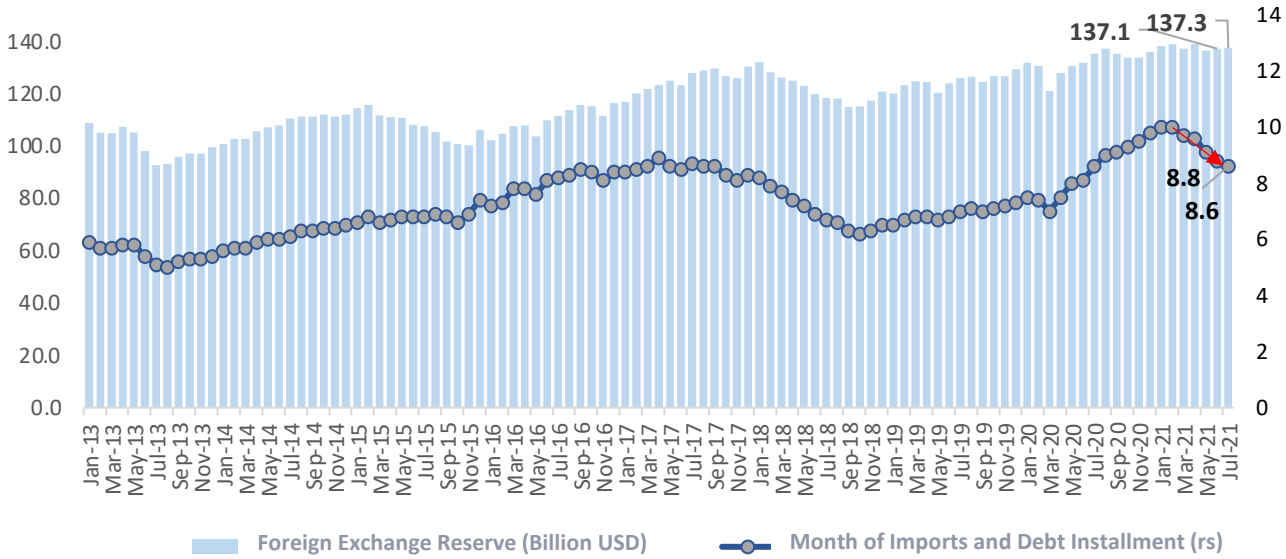
- The development of COVID-19 must continue to be controlled.
- We must remain vigilant with the discipline of health protocols (5M).
- The health facilities, implementation of 3T, and acceleration of vaccination must continue to be strengthened

THE INDONESIAN FINANCIAL MARKET IS STILL INFLUENCED BY THE SENTIMENT OF THE FED'S POLICY DIRECTION AND THE DEVELOPMENT OF THE COVID-19 CASE

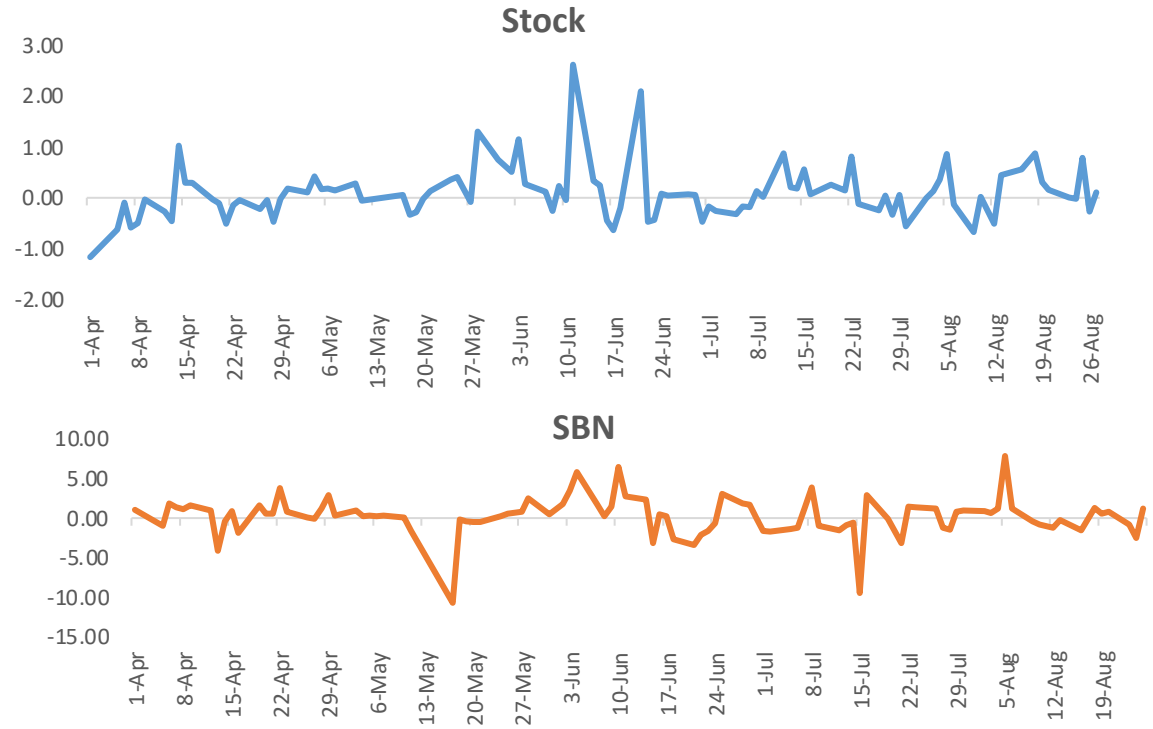
JCI Index and Rupiah Exchange Rate



Foreign Exchange Reserves



Net Foreign Buy / Sell (IDR T)



- The continuation of the US economic recovery pushed the Dollar Index up, thereby suppressing the movement of emerging market currency. The Rupiah exchange rate also experienced pressure, although it was relatively low.
- The decline in the PPKM status of Java and Bali from level 4 to level 3 earlier this week received a positive response from market players. This prompted the inflow of foreign capital in August so as to support the movement of the Rupiah.
- The Foreign exchange reserves increased which is supported by the issuance of the Government's global dual currency bonds (USD1.65 billion and EUR500 million) as well as tax revenues and services denominated in foreign currencies. The Foreign Reserve's ability to finance imports and the Government's external debt installments is on a downward trend, although it is still above international adequacy standards

S&P AND R&I AFFIRM THE INDONESIAN CREDIT RATINGS

Other rating agencies have also maintained Indonesia's credit rating amidst massive downgrades due to the impact of the Covid-19 pandemic

Affirmation of Indonesia's rating by S&P and R&I confirms that the recovery is on track:
Handling COVID-19 & Vaccination, Macro Fiscal Stable, Structural Reform - Job Creation Law

S&P Global Ratings

Affirms BBB negative

22 April 2021

*"The **country's economy is stabilizing**, and **gradual fiscal consolidation and improved trade flows** are likely over the next three to four years*

R&I

Affirms BBB+ stable

22 April 2021

***Indonesia's economy will likely return to a pre-coronavirus growth level in one to two years.** The **government's structural reform efforts** are also expected to **boost growth potential** in the medium to long term.*

FitchRatings

Affirms BBB stable

22 March 2021

*Indonesia's rating **balances a favorable medium-term growth outlook and a low debt to GDP ratio** against dependence on external financing and lagging structural features compared with 'BBB' peers, such as GDP per capita*

Moody's

Baa2 stable

Annual Credit Analysis,16 February 2021

*The credit profile of Indonesia is **supported by its large economy, low fiscal deficits and modest debt burden,** that counterbalance reliance on external funding and a degree of economic concentration to commodity cycles.*

Rating Action during the 2020 Pandemic

124 Rating Downgrades
51 by Fitch
35 by Moody's
38 by S&P

133 Revised Outlook Negative
51 by Fitch
36 by Moody's
46 by S&P

- Covid-19 Pandemic has brought a significant pressure on sovereign rating → the pandemic had a major impact, especially on countries' fiscal conditions
- The rating action in 2020 is more than during the 2008 GFC crisis
- In 2021, the three rating agencies have taken **25 Rating Action Downgrades** and **16 Revised Negative Outlook (as of 29 Aug, 2021)**

Indonesia's Rating Position

Rating Agency	Sovereign Credit Rating	Outlook	Date of Rating Action
Moody's	Baa2	Stable	14 Feb 2020
JCR Agency	BBB+	Stable	1 Dec 2020
Fitch	BBB	Stable	22 March 2021
S&P	BBB	Negative	22 April 2021
R&I	BBB+	Stable	22 April 2021

2021 BUDGET & STRUCTURAL REFORM FOR RECOVERY

INDONESIA FISCAL POLICY RESPONSES DURING COVID-19 PANDEMIC

COVID-19 handling, recovery acceleration and reforms pave the way towards economic transformation

EXTRAORDINARY POLICY

Extraordinary policy to respond the impact of the COVID-19 pandemic

***IMMEDIATE RESPONSE*:**

- Perpu No.1/2020 → UU No.2/2020
- Increasing the budget deficit to address COVID-19 and economic recovery program's (PEN)

REOPENING POLICY

Commitment to COVID-19 handling and economic recovery

FISCAL STIMULUS TO SUPPORT REOPENING

- Accelerating Covid-19 containment,
- Providing jump start for the economy,
- Commencing national economic recovery program

RECOVERY & REFORM POLICY

Commitment to continuing reforms

ACELERATING RECOVERY & COMMITING REFORMS

- Improving and strengthening human & physical capital
- Institutional & regulatory Reform
- Transforming the economy

FISCAL CONSOLIDATION

Smooth fiscal consolidation

FISCAL DISCIPLINE TOWARDS LONG TERM SUSTAINABLE BUDGET

- Deficit 3% of GDP in 2023;
- Manageable debt risk

2020 | **2021-2022** | **2023**

EXPANSION OF THE SOCIAL PROTECTION PROGRAMs PROTECTING THE PEOPLE FROM COVID-19 AND REDUCE ECONOMIC PRESSURE

The Social Protection Policy since 2020 and expanded today, plays a very important role in **protecting the poor and vulnerable**

Hardship Support	**Family Hope Program (PKH)** 10 million families
	Cash Transfer 10 million families
	village funds unconditional cash transfers) 8 million families
	Electricity Discount 32.6 million beneficiaries
Food and Education Support	**Staple Food Card** 24.7 million families
	Rice Assistance 28.8 million families
	Internet Quota Subsidy for Online Learning 38.1 million people
Support to the Workforce	**Pre-Employment Card** 5.9 million people
	Wage Subsidy 8.8 million workers

Note: the figure above is the 2021 target as of July 2021, the number of basic food card recipients is a combination of 18.8 million regular staple food card recipients and an additional 5.9 million recipients during the restriction mobility period

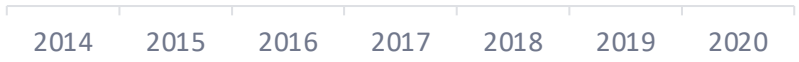
source: Statistic Indonesia, Ministry of Finance

The quality of human resources is maintained through the provision of **health services and adequate education** even during the pandemic

Source: Statistics Indonesia

HDI Increases by 0.02

HDI Component	2019	2020
Life Expectancy (Year)	71.34 ↑	71.47
Expected Years of Schooling (Year)	12.95 ↑	12.98
Mean Years of Schooling (Year)	8.34 ↑	8.48
GNI Per Capita (IDR million)	11.30 ↓	11.01



The impact of the pandemic on people's welfare **can be restrained** and begin to **gradually recover**

OPEN UNEMPLOYMENT RATE (TPT)

February 2021

6.26% (TPT)

8.75 million ppl

Declining rate on Feb 21 compare to Aug 20

0,81 p.p

1.02 million ppl

The economic recovery has created 2.61 million new jobs in the period Sept 20 – Feb 21

POVERTY RATE

March 2021

10.14%

27.54 million ppl

Declining rate on Mar 21 compare to Sept 20

0,05 p.p

0,01 million ppl

The reduction in poverty and inequality levels is driven by improved job opportunities and the sustainability of the National Social Security Policy for 2021

STATE BUDGET KEEP SUPPORTING PANDEMIC HANDLING AND ECONOMIC RECOVERY

In line with economic activity improvement and government support in Covid-19 pandemic handling and economic recovery

Account (IDR T)	2020				2021			
	Budget[1]	Realized[2]	% of Budget[3]	YoY (%)	Budget	Realized[4]	% of Budget	YoY (%)
Revenue	**1,647.8**	**922.5**	**54.3**	**(12.3)**	**1,743.6**	**1,031.5**	**59.2**	**11.8**
Tax Revenue	1,072.1	602.0	50.2	(14.7)	1,229.6	647.7	52.7	7.6
Customs & Excise	213.0	109.1	53.0	3.7	215.0	141.2	65.7	29.5
Non Tax Revenue	343.8	209.0	71.1	(13.5)	298.2	242.1	81.2	15.8
Expenditure	**2,595.5**	**1,252.4**	**45.7**	**1.3**	**2,750.0**	**1,368.4**	**49.8**	**9.3**
Central Government Expenditure	1,833.0	793.6	40.2	4.2	1,954.5	952.8	48.7	20.1
Regional Transfer & Village Funds	762.5	458.8	60.1	(3.4)	795.5	415.5	52.2	(9.4)
Primary Balance	**(633.6)**	**(147.1)**			**(633.1)**	**(143.6)**		
Surplus (Deficit)	**(947.7)**	**(329.9)**			**(1,006.4)**	**(336.9)**		
% to GDP	*(6.14)*	*(2.14)*			*(5.70)*	*(2.04)*		
Financing	**1,193.3**	**502.7**	**48.4**	**115.2**	**1,006.4**	**447.8**	**44.5**	**(10.9**
Budget Surplus (Deficit)	**245.6**	**172.9**				**110.9**		

(1) LKPP Audited 2020, (2) As of July 31, 2020, (3) % to Presidential Regulation 72/2020, (4) As of July 31, 2021

Revenue

- Tax Revenue grew positively in line with improving economic activity and international trade.
- Non-tax revenue increased in line with the upward trend in commodity prices, especially oil, minerals, coal, and CPO.
- Fiscal incentives are optimized for the handling of the Covid-19 pandemic and support for the business.

Expenditures

- Government spending is accelerated to support Covid-19 handling and national economic recovery at the central and regional levels.
- The 2021 APBN Law provides flexibility for the management of state expenditures through refocusing and reallocating the budget.

Financing

- The Budget Deficit and Financing is in line with the countercyclical policy implemented by the government

ECONOMIC RECOVERY POLICY FRAMEWORK 2021

Social Protection Programme For bottom 40 and the vulnerable group: PKH, Sembako card, BST, BLT DD, Pre employment, electricity discount, internet subsidy

SURVIVAL AND RECOVERY KIT

Maintaining Business Continuity

- Support for SMEs and cooperation
- Priority programs to support job creation

- **Free Vaccination →** for 208 million people to achieve herd immunity
- **Encouraging 3M 3T**
- **Other intervention →** Health facilities, Health Protective Equipment

HEALTH INTERVENTION

STRUCTURAL REFORM

Through the Job Creation Law to address various challenges of national development (providing employment opportunities, empowering MSMEs, regulatory reform, SWF development, Ease of Doing Business, etc.)

GAME CHANGER 2021

NATIONAL ECONOMIC RECOVERY

THE STATE BUDGET REMAINS FLEXIBLE AND RESPONSIVE TO GIVE FULL SUPPORT

As of August, the realization of PEN amounted IDR 326.74 T or 43.9% of the budget

The allocation of the 2021 PEN programme (IDR774.75 T) increased compared to the realization of the 2020 (IDR575.2 T)

HEALTH SECTOR

Budget: **IDR214.96 T**
Realization: **IDR77.18T**
(35.9%) of budget

- Vaccine Procurement
- Medical Facilities and Infrastructure
- Health Care Claim Costs
- Medical Personnel Incentives and death compensation
- BPJS Contribution Assistance for PBPU / BP

SOCIAL PROTECTION

Budget: **IDR186.64 T**
Realization: **IDR99.33T**
(53.2%) of budget

- PKH 9.9 million beneficiaries (KPM)
- Basic Food/SEMBAKO Card
- Pre-Employment Card
- Cash Transfer - Village Fund
- Cash Social Assistance 10 million KPM
- Internet Subsidy
- Electricity Discount
- Job Loss Guarantee Contribution

SMEs SUPPORT

Budget: **IDR162.40 T**
Realization: **IDR48.02T**
(29.6%) of budget

- KUR and non- KUR interest subsidy
- Micro business assistance (BPUM)
- Loss Limit Guarantee for MSMEs & Corporation
- Guarantee services (IJP) of MSMEs and cooperatives
- Placement of Funds

PRIORITY PROGRAMMES

Budget: **IDR117.94T**
Realization: **IDR50.25T**
(42.6%) of budget

- Tourism Supports
- Food Security/Food Estate
- Loan to Regions
- Labor Intensive Program
- Other Priority Programs

BUSINESS INCENTIVES

Budget: **IDR62.83T**
Realization: **IDR51.97T**
(82.7%) of budget

- Government-Borne Income Tax
- Income Tax Exemption on Import
- VAT Refund
- Government-Borne Income Tax for MSMEs
- Incentives on sales tax of luxurious good for motor vehicle
- VAT Incentives for property sector

THE COLLABORATION OF GOVERNMENT, CENTRAL BANK, OJK, IDIC IN SUPPORTING ECONOMIC STABILITY AND RECOVERY

INTEGRATED MEASURES BY INDONESIAN FINANCIAL SYSTEM STABILITY BOARD (KSSK)

Central Bank

- **Monetary**: stabilizing exchange rate, participation in gov't bond primary market, lowering policy rate, QE
- **Macroprudential**: Sectoral RIM, relaxing reserve requirement rates
- **Payment system**: accelerating electronic transaction system, fintech

Government

Cash flow support: Tax expenditures, tax incentives, electricity bills discount

Financing support: Interest subsidy for MSME loan, guarantee of working capital loan

Recovery programs:

Labor intensive programs, support for tourism

Indonesia Deposit Insurance Corporation

- Lowering premium
- Relaxing payment period for insurance premium and reporting schedule of single customer view system

Financial Services Authority

- Relaxing loan restructuring regulation
- Relaxing maximum limit of credit exposure on certain sectors
- Relaxing risk-weighted assets for property and automotive loan

- Policies with direct implication to the economy in both supply and demand side
- Stimulating banks' role as intermediary agent in providing financing facility for businesses to jump-start or expand with lower financing cost

Stronger and more sustainable economic recovery

***Enablers*:**

- Accelerated vaccination
- Implementation of Job Creation Law

STRUCTURAL ECONOMIC REFORM STARTED WITH THE ENACTION OF LAW NO 11/2020 ON JOB CREATION

- Investment Growth & Licensing Simplification
- SOEs Simplification and Protection
- Human Resources
- Research and Innovation Support
- Ease of Doing Business
- Land Management
- Special Economic Zones (KEK)
- Government Administration
- Government Investment Authority & National Strategic Program
- Law Enforcement and Protection

Creating New Jobs

Increasing EoDB and Business Certainty

Regulation and Licensing Simplification

Increasing Investment Climate

**Government already enacted several regulations as subsidiaries of Law No 11/2020, consist of 47 Government Regulation (PP) and 4 Presidential Decree (Perpres)*

INDONESIA INVESTMENT AUTHORITY (INA) AS INDONESIA'S SWF

Strong Institutions With Good Governance to Earn Global Investors' trust

Government Investment Objectives
(Pasal 154 ayat 2 UU Cipta Kerja)

- Receive economic benefits, social benefits, and / or other benefits that are predetermined
- Contribute to the development of the national economy in general and state revenues in particular
- Receiving benefits; and / or
- Carrying out public benefits (creating jobs).

Indonesia Investment Authority
a form of implementing government investment

Characteristics and Advantages

- Focus in Capital Maximation
- Governance Following International Business Practices
- Economic Goals Balanced with Commercial Benefits
- A Strong Legal Foundation for Certainty
- Flexibility in Investing
- Strong support from the State
- Able to capture Investors Appetite
- Strong Independence and Professional Management

INA's Target

- Optimization of Central Government Investment Value
- Increase Foreign Direct Investment (FDI)
- Encouraging the improvement of the investment climate

*In "Pasal 154 ayat (3) UU Cipta Kerja", Central Government investment is carried out by the Minister of Finance and Investment Institutions (IIA)

2021 STATE BUDGET REALIZATION

STATE BUDGET HAS SHOWN A GOOD PERFORMANCE

Until July 2021, State Expenditure and Investment Financing grew significantly and brought positive impact to Indonesian people

State Expenditure IDR1,368.4T (Grew by 9.3%)

- **Line Ministries Expenditure Grew by 30.92%**

  Driven by capital expenditure (infrastructure, connectivity projects, and equipment), material expenditure (vaccination, medical treatment claims, productive relief programs), disbursement of various protection programs)

- **Non-Line Ministries Expenditure Grew by 8.0%**

  Driven by pension benefits, energy dan fertilizer subsidies, and pre-work cards.

- **Regional Transfer and Village Fund Grew by 9.4%**

  Revenue sharing fund (DBH), non physical Special Allocation Fund (DAK), special autonomy fund for DIY grew positively.

Investment Financing Grew by 194.0%

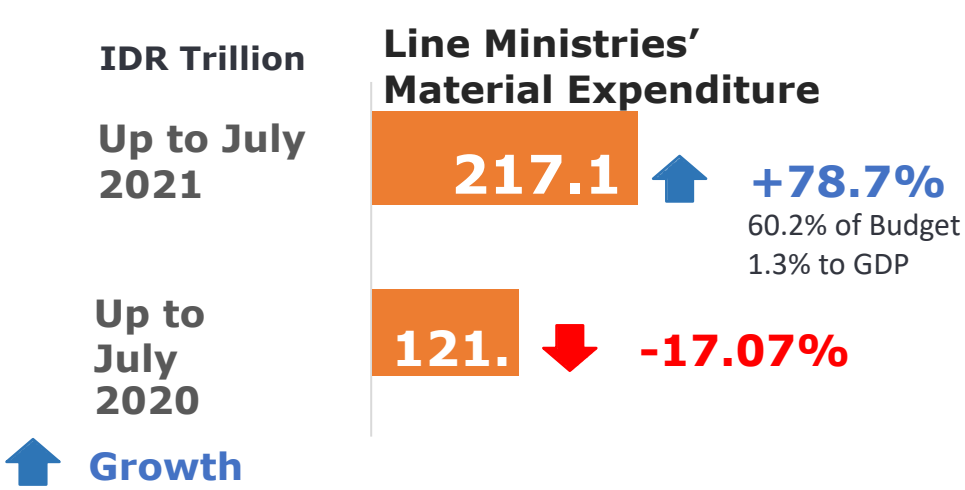
Including Investment to LMAN to support National Strategic Projects, support for houses, emergency hospital development, regional PEN Loan, and international development cooperation fund

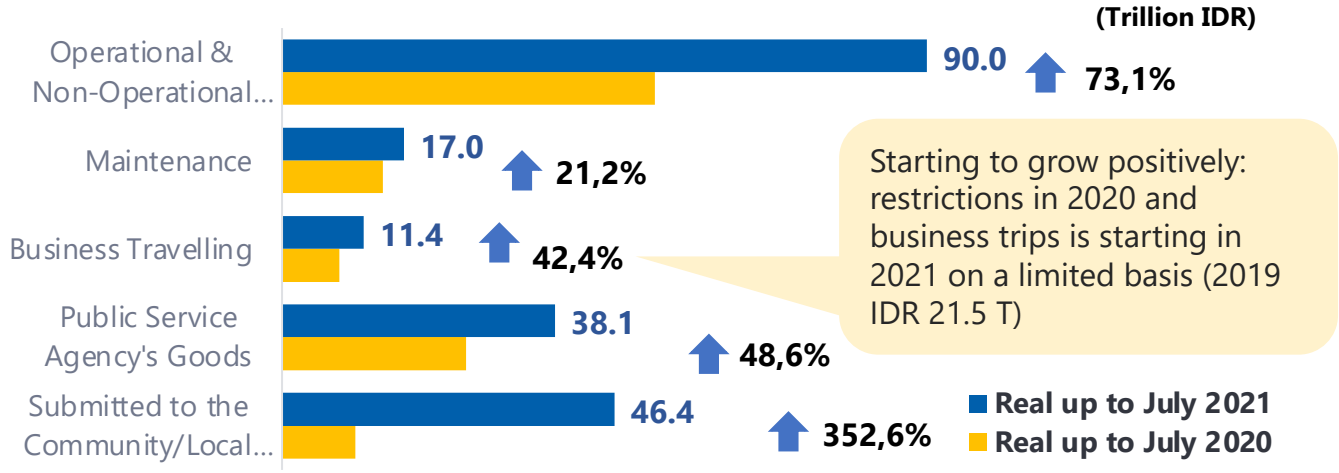
The hard work of the state budget was supported by an excellent performance of the Covid-19 handling and economic recovery programs

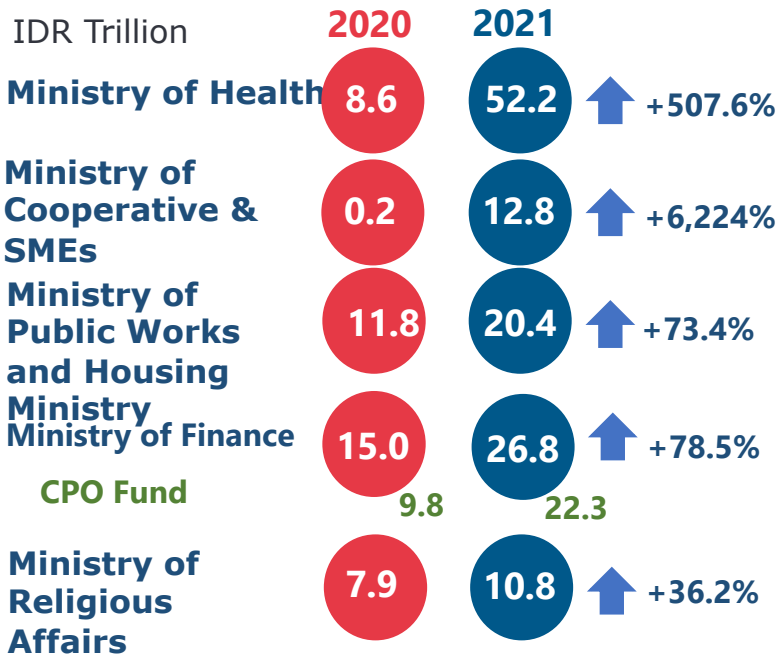
Realization of PEN as of August 20, 2021 reached IDR326.16 T (43.8% of ceiling of IDR744.77T)

THE REALIZATION OF LINE MINISTRIES' MATERIAL EXPENDITURE UP TO JULY GREW BY 78.7% YOY (2020: -17%)

Influenced by the acceleration of the 2021 PEN program as well as strict restrictions on activities in 2020 at the beginning of the pandemic







Benefits to the community up to end of July 2021:

Vaccine shots to People
Vaccine 1 (47.2 Million)
Vaccine 2 (20.5 Million)
total vaccine dose 65.79 million
IDR11.7T

377.7 thousand Covid-19 patients
who get **treatment costs**
IDR25.45 T

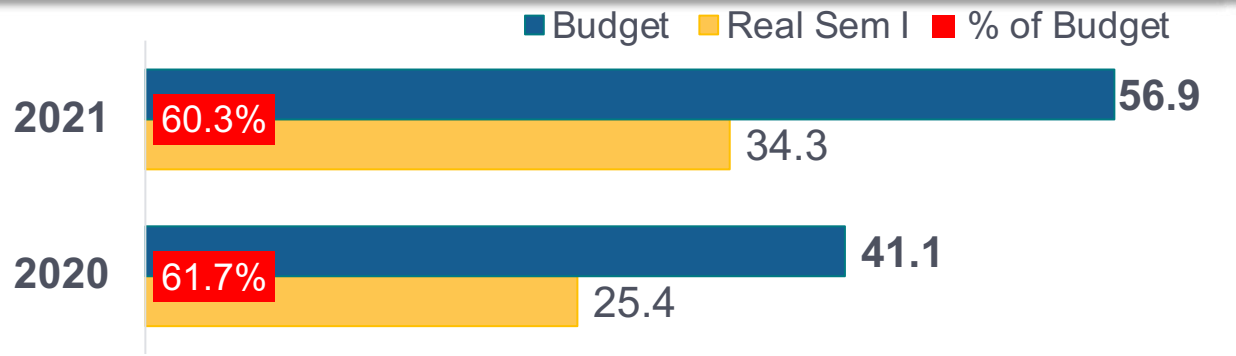
10.5 million Micro Business Actors receive **assistance IDR12.57 T**

4.15 million private school students (MoRA) receive **School Operational Assistance IDR4.45 T**

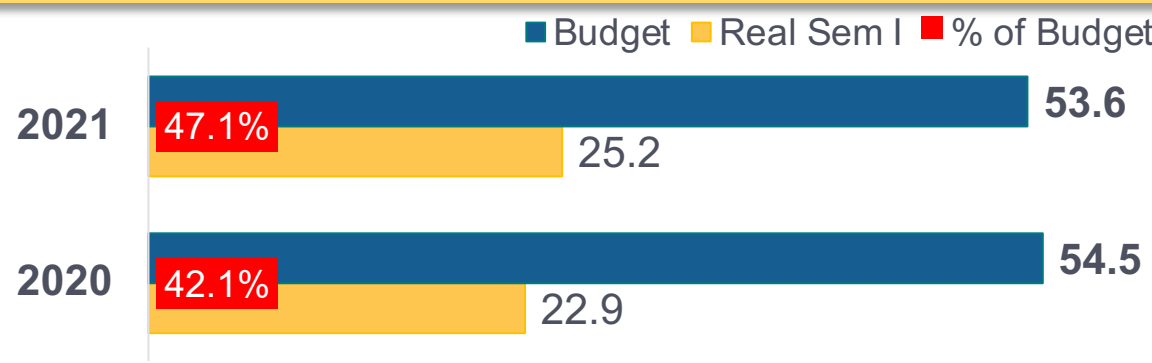
THE REALIZATION OF ENERGY SUBSIDY INCREASED COMPARED TO 2020

Influenced by the higher realization of the distribution of subsidized goods volume

Fuel and LPG Subsidies
(IDR Trillion)



Electricity Subsidy
(IDR Trillion)



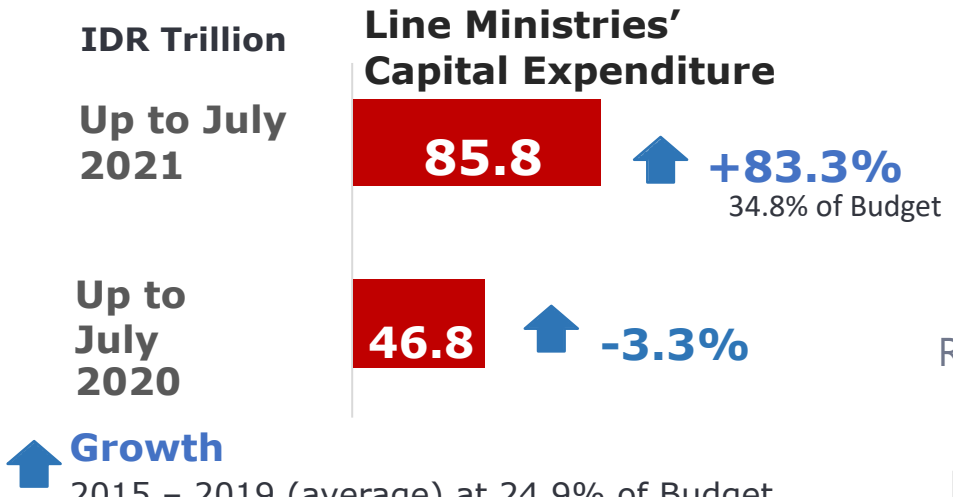
The realization of electricity subsidies is higher because it includes the realization of electricity discounts for households and MSMEs of IDR 5.5 T

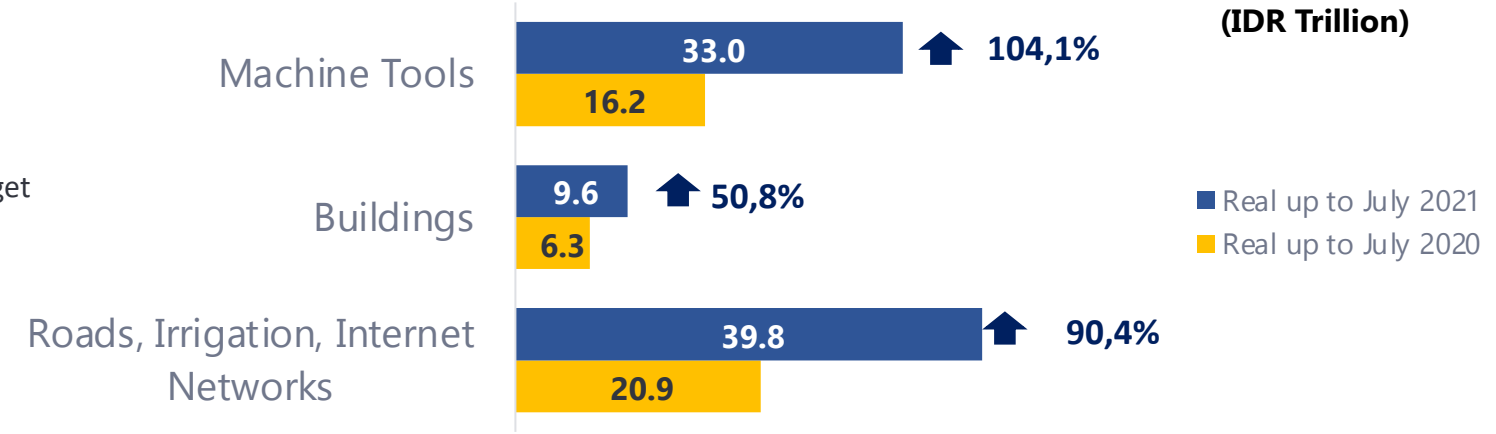
Realization of Distribution until May	2020	2021
Diesel (Thousand KL)	5,628.0	5,937.9
Kerosene (Thousand KL)	195.5	202.9
LPG 3 kg (Million kg)	2,898.4	3,042.3

Realization of Distribution until May	2020	2021
Subsidized electricity customers (Million)	36.44	37.51
Volume of electricity consumption subsidy (Twh)	24.66	26.11

REALIZATION OF CAPITAL EXPENDITURE GREW SIGNIFICANTLY BY 83.3% (YOY)

Primarily for the payment of advanced basic infrastructure projects in 2020 and connectivity infrastructure and equipment procurement





	2020	2021	
Ministry of Public Works and Housing Ministry	19.7	38.2	+93.9%
Indonesia National Police	6.8	16.0	+135.3 %
Ministry of Defense	8.4	12.8	+52.4%
Ministry of Transportation	4.7	6.2	+31.9%

Benefits to the community up to end of May 2021:

Dam construction progress reached **64.03%** of the target of **10 new dams** and **43 follow-ups** valued at **IDR 10.38 T**

Irrigation network Progress reached **47.74%** of the construction target of **600 km** Progress **51.91%** of the target Rehabilitation of **3,900 km** a total of **IDR3.26 T**

Hospital Construction progress reached **33%** from the target **21hospitals** and medical equipment, valued at **IDR 0.12T**

Railroad progress reached **78.50%** from the target **236.66 km'sp**, valued at **IDR 1.23T**

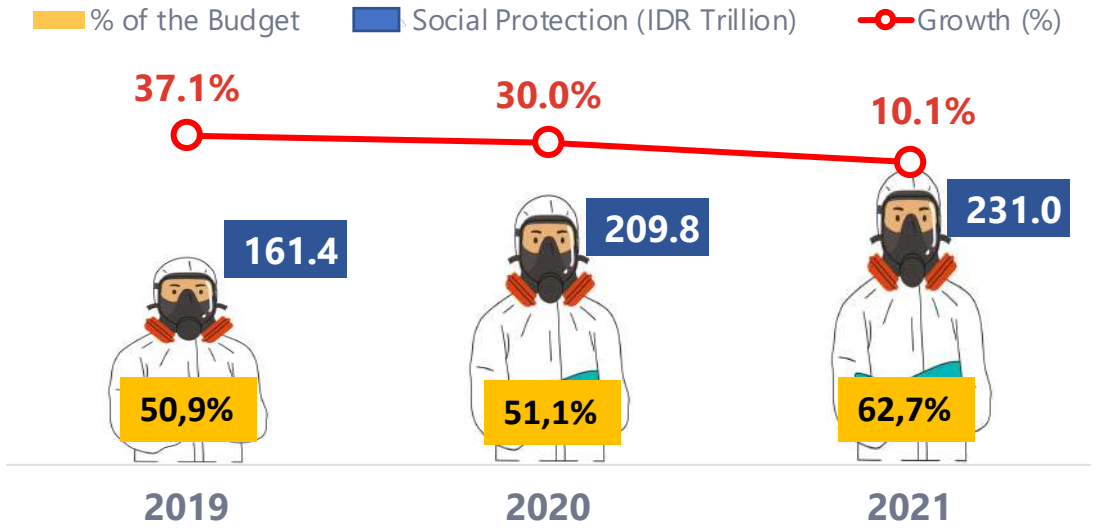
Road Construction Progress reached **47.49% of 213.63 km** **Road Preservation** reached **64.78% of 51,821.06** km valued at **IDR 12.93 T**

Bridge construction reached **66.72% of 18,945.24 m**, **Bridge Preservation** reached **58.08% of 490,074.7 km** valued at **IDR 2.63 T**

THE REALIZATION OF SOCIAL PROTECTION BUDGET UP TO 31 JULY 2021

for the distribution of PEN Program assistance as a cushion for poor and vulnerable families affected by the Covid-19 pandemic

Social Protection Budget Realization up to 31 July 2021



Social Protection Budget Realization up to 31 July 2021 Driven by:

Line Ministries Expenditure:

- For distribution of social protection program in the context of PEN such as Basic Food Card Program, PKH, and Internet Quota Assistance and cash assistance
- Realization of regular social assistance such as PBI JKN contribution assistance, Smart Indonesia Program and Bidikmisi/KIP Lectures and natural disaster management

Non-Ministries Expenditure :

- For distribution of social protection programs in the context of PEN such as Electricity Discounts, Pre-Employment Card Programs, productive assistance for MSMEs
- Regular subsidy distribution, including: LPG Subsidy and Electricity Subsidy
- Distribution of Village Fund Cash Transfer for poor and vulnerable families in rural areas

Food Card
For **15.9 million families** valued at **IDR 28.01 T**

Family Hope Program/Program Keluarga Harapan
For **9.9 million families** valued at **IDR 19.11 T**

Cash Transfer
For **11.0 million families** valued at **IDR 17.24 T**

Pre-Employment Program
for **2.8 million participants** valued at **IDR10.01 T**

PBI JKN
For **96.5 million PBI** valued at **IDR 26.9 T**

Electricity Discount
For **32.6 million Customers** valued at **IDR 5.63 T**

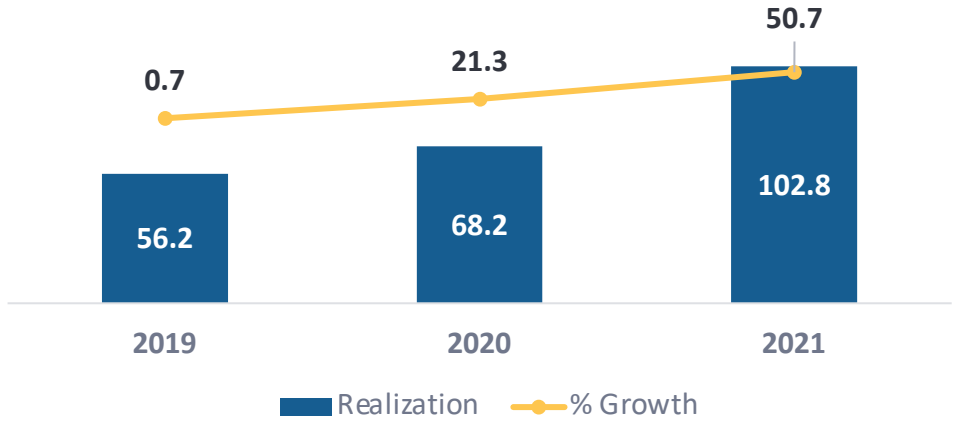
Village Fund Cash Transfer
For **5.3 million families** valued at **IDR9.32 T**

Internet Quota Subsidy
For **34.4 million students and teachers** valued at **IDR 2.52 T**

THE REALIZATION OF HEALTH BUDGET UP TO 31 JULY 2021 GREW BY 50.7%

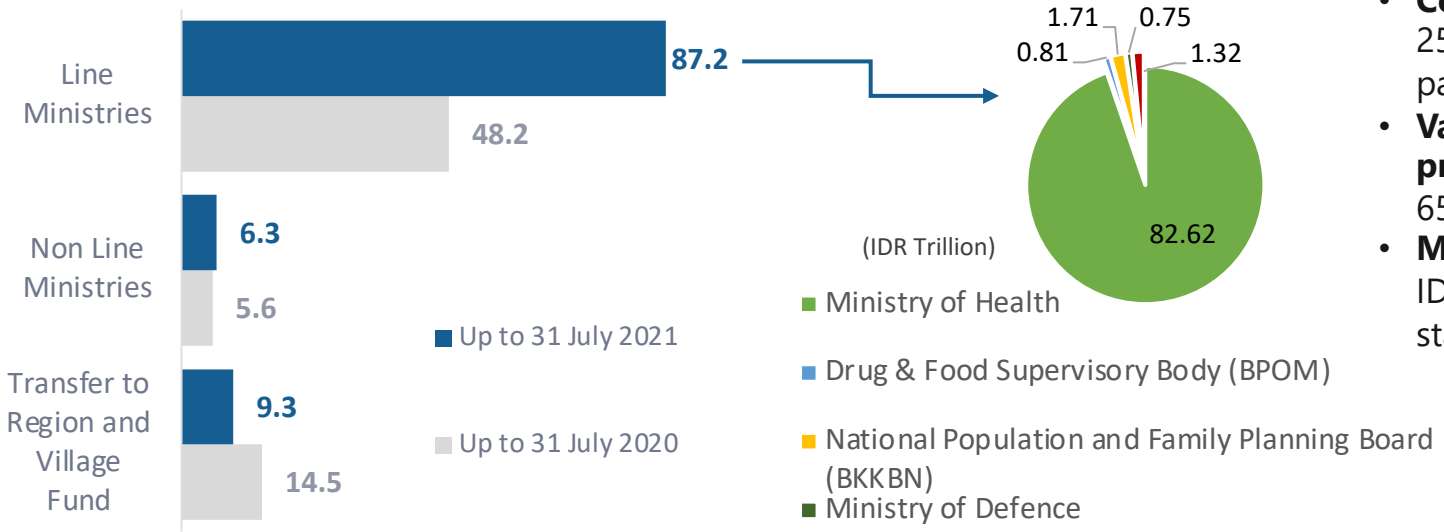
Mainly used for PBI JKN and Covid-19 Handling

Health Budget Realization up to 31 July (IDR trillion)



Realization up to July 31, 2021 IDR 102.8 T, grew 50.7% (yoy) mainly due to increased spending by the Ministry of Health for the provision of Covid-19 vaccines and medicines, treatment of Covid-19 patients, as well as incentives for health workers

Realization by component up to 31 July, 2020-2021 (IDR trillion)



Line Ministries Expenditure IDR 87.2 T

Mainly by **Ministry of Health IDR 82,6T** :

- **PBI JKN** IDR26.9 T for 96.5 million people;
- **Covid-19 patient claims** at IDR 25.4 T for 377.7 thousand patients;
- **Vaccine Covid-19 procurement** IDR11.7 T for 65.8 million doses;
- **Medical Staff incentives** IDR 5.3 T for 662.3 thousand staff

Non Line Ministries Expenditure IDR 6.3 T

- Health services for PNS/TNI/Polri/ state officials **IDR 5.5 T**
- JKN Contribution Assistance for PBPU/BP Class III **IDR 0.8 T**

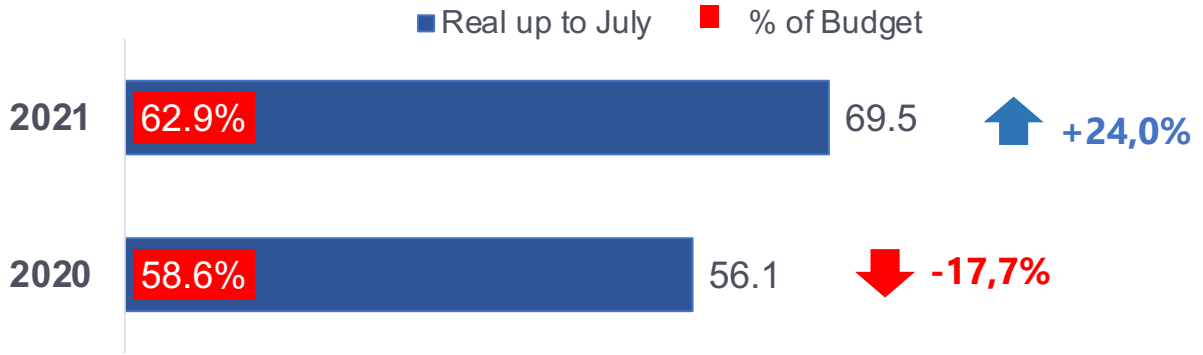
Transfer to Region and Village Fund IDR 9.3 T

- BOK dan BOKB **IDR 6.3 T**
- DAK Fisik **IDR 1.0 T**
- DID dan DBH **IDR 1.1 T**
- Dana Otsus **IDR 0.9 T**

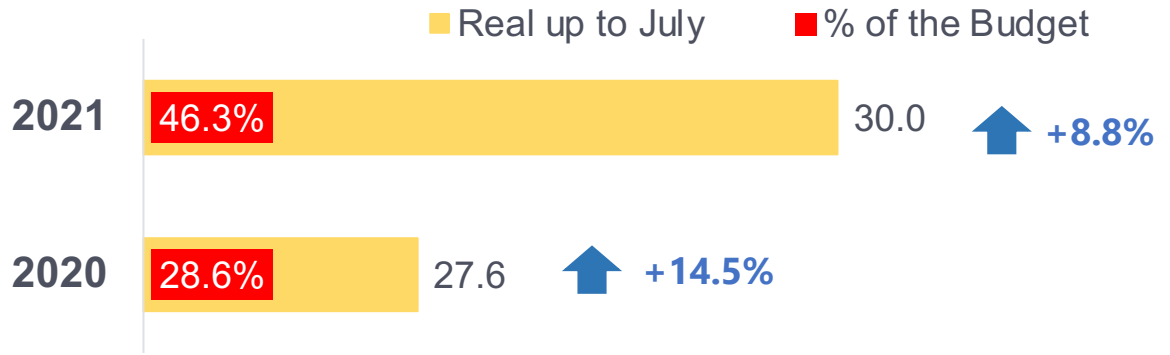
THE REALIZATION OF ENERGY SUBSIDY INCREASED COMPARED TO 2020

Influenced by the higher realization of the distribution of subsidized goods volume

Energy Subsidy
(IDR Trillion)



Non-Energy Subsidy
(IDR Trillion)



Higher realization of energy subsidies, including the realization of electricity discounts for households and MSMEs of IDR 5.6 T

Subsidy Distribution up to July	2020	2021
Fuel (Diesel and Kerosene) (thousand KL)	6,917.0	7,518.2
LPG 3 kg (millon kg)	3,490.0	3,656.2
Subsidized Electricity Costumers (million costumers)	36.50	37.60
Volume of electricity consumption subsidy (Twh)	29.77	31.63

The higher realization of Non-Energy Subsidies was supported by the acceleration of implementation at the beginning of the year, especially for PEN programs, such as the KUR Interest Subsidy and the IJP Subsidy.

Subsidy Distribution up to July	2020	2021
KUR interest rate subsidy (million debtors)	2.7	4.0
KUR Distribution (IDR Trillion)	93.4	146.6
Down payment assistance subsidy (SBUM) (thousand houses)	22.0	80.9

TRANSFER TO REGION AND VILLAGE FUND (TKDD) REALIZATION 2020-2021 AS OF JULY 31

TKDD 2021 disbursement is slightly lower than 2020

TKDD Realization and percentage to APBN

2020: Perpres 72/2020
2021: Perpes 113/2020

		2020	2021	Growth
TKDD	IDR	458.82 T	415.53 T	**(9.4)**
		60.1 %	52.2 %	
Revenue Sharing (DBH)	IDR	52.31 T	44.86 T	**(14.2)**
		60.5 %	44.0 %	
General Allocation Fund (DAU)	IDR	258.35 T	234.92 T	**(9.1)**
		67.2 %	60.2 %	
Physical Special Allocation Fund (DAK Fisik)	IDR	10.61 T	8.72 T	**(17.8)**
		19.7 %	13.4 %	
Non-Physical Special Allocation Fund (DAK NF)	IDR	73.97 T	77.92 T	**5.4**
		57.4 %	59.4 %	
Regional Incentive Fund (DID)	IDR	8.76 T	6.98 T	**(20.4)**
		47.35 %	51.7 %	
Special Autonomy & Privilege Fund for Yogyakarta	IDR	6.92 T	6.90 T	**(0.3)**
		33.2 %	32.4 %	
Village Fund	IDR	47.90 T	35.23 T	**(26.4)**
		67.3 %	48.9 %	

* Notes:
TKDD allocation 2021 have been adjusted based on refocusing program

HIGHLIGHT

- TKDD disbursement as July 31, 2021 amounting to 52.2% of the total allocation which is slightly lower than 2020 by 60.1%.
- Distribution of DBH and DAU was lower since some local governments have not submitted distribution requirements including employee expenditure and Covid-19 handling reports
- The distribution of Physical Special Allocation Fund (DAK Fisik) was lower because the local government was still given time to fulfill the distribution requirements until August 31, 2021
- Non-Physical Special Allocation Fund (DAK NF) disbursement was higher because most regions were faster in meeting requirements compared to last year

LOCAL SPENDING REALIZATION AS OF JULY 2021

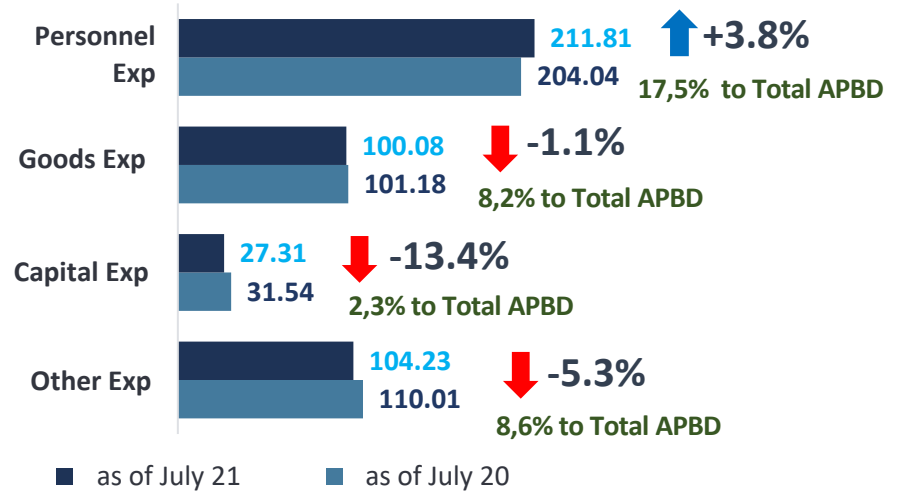
Realization of Local Budget as of July 2021 was lower (-0,75%) compare to July 2020, this needs to be accelerated by Local Government.

Local Budget

- 0.75%

as of July 2021	443.4 3 T	36.6% to Total APBD
as of July 2020	446.7 8 T	41.8% to Total APBD

LOCAL SPENDING



SPENDING BY FUNCTION

Education

+19.1%

as of July 2021	152.1 8 T
	12,4% to Total APBD
as of July 2020	127.7 9 T

Health

- 4.4%

as of July 2021	67.40 T
	5,5% to Total APBD
as of July 2020	70.52 T

Social Spending

- 26.9%

as of July 2021	5.09 T
	0,4% t0 Total APBD
as of July 2020	6.97 T

- ✓ **Realization of education spending as of July 2021 grew 19.1% (y.o.y) with the largest absorption in personnel spending for salaries of teachers and educators.**
- ✓ **Health spending grew -4.4%, only personnel spending grew positively. The local government needs to accelerate the use of the budget for handling Covid-19, vaccine support, and health care.**
- ✓ **Social protection spending grew by -26.9% with an absorption of 0.4% from the APBD. The local government needs to encourage the absorption of social assistance to help people affected by the pandemic.**

Note: The 2020/2021 & LRA APBD data for July 2020/2021 consists of 533 Local Governments who have submitted the LRA Monthly APBD data as of August 16, 2021*).

DEVELOPMENT OF REALIZATION OF REGIONAL ECONOMIC RECOVERY FROM EARMARK OF GENERAL TRANSFER FUND (DTU)

Data as of July 31, 2021

in Trillion Rp

No	Component	Budget	Realization	%
I	SOCIAL PROTECTION	12.32	2.53	20.52%
II	ECONOMIC EMPOWERMENT	13.36	2.52	18.86%
NUMBER OF PED PROGRAMS THROUGH DTU		25.68	5.05	19.66%

- In accordance with Article 7 PMK No. 17 of 2021, local governments are required to budget for social protection 20% of mandatory DTU spending, and for economic recovery support 15% of mandatory DTU spending.
- In general, the absorption of spending on regional economic recovery programs which include social protection and regional economic support is still low, the number of realizations of regional economic recovery programs sourced from the DTU earmark is IDR 5.05 trillion (19.66%).
- A total of 320 regions (59.0%) have realized below 15% of the budget and only 25 regions (4.6%) have realized a budget of above 50%.
- Regional performance in the absorption of regional economic recovery program expenditures which include social protection and regional economic support came from DAU/DBH earmarking. The highest realization was in West Java Province by IDR 45.23 billion (48.20%) and the lowest was in Jambi Province (did not report yet)

REALIZATION OF PEN 2021 UNTIL AUGUST 20 REACHED IDR326.74 T OR 43.9% OF THE BUDGET OF IDR744.77 T

Significant progress on social protection and health cluster

HEALTH

Budget IDR214.96 T | **Realization IDR77.18 T (35.9%)**

Real until Q2: IDR47.71 T

Benefit

- Use for Pondok Gede Hajj Dormitory Emergency Hospital
- Distribution of Medicine Packages for Public
- Treatment costs for 426.94 Thousand Patients
- Health worker incentives for 861.9 thousand health workers and Death Compensation for 278 health workers
- Procurement of 81.42 million doses of vaccine
- National Health Insurance (JKN) Contribution Assistance for 19.15 million people

Data Source: MoF

SOCIAL PROTECTION

Budget IDR186.64 T | **Realization IDR99.33 T (53.2%)**

Benefit — **Real until Q2: IDR66.43 T**

- Family Hope Program (PKH) for 9.9 million family beneficiaries (KPM) and Sembako Card for 16.1 million KPM
- Cash Assistance Beneficiary (BST) for 10 million KPM and BLT Desa for 5.51 million KPM
- Pre-Employment Card for 2.82 million people
- Internet Quota Assistance for 35.95 million beneficiaries
- Electricity Subsidy for 32.6 million beneficiaries
- Wage Subsidy Assistance (BSU) for 2.09 million workers
- Rice assistance for 28.8 million KPM

MSME AND CORPORATE SUPPORT

Budget IDR162.40 T | **Realization IDR48.02 T (29.6%)**

Benefit — **Real until Q2: IDR51.27 T***

- Micro Business Aid (BPUM) 11.84 million businesses
- Guarantee Service Fee (IJP) for MSMEs for 2.04 million MSMEs
- IJP for Corporate for 26 Corporates
- Placement of Funds with banks with total credit disbursement since 2020 has reached Rp417.57 T to 5.31 million debtors
- Interest Subsidy for KUR and Non-KUR for 4.47 million debtors

*** reduced due to maturity of the outstanding fund placement**

PRIORITY PROGRAM

Budget IDR117.94 T | **Realization IDR50.25 T (42.6%)**

Benefit — **Real until Q2: IDR41.83 T**

- Line Ministries Work-Intensive for 928.2 thousand health workers
- Tourism such as Tourism DAK (such as connectivity and accessibility of destinations) as well as CHSE certification and health workers accommodation in order to improve the hospitality industry
- Food Security such as for the construction of dams and food estates
- Regional Loan Facility Rp10 T through PT. SMI

BUSINESS INCENTIVES

Budget IDR62.83 T | **Realization IDR51.97 T (82.7%)**

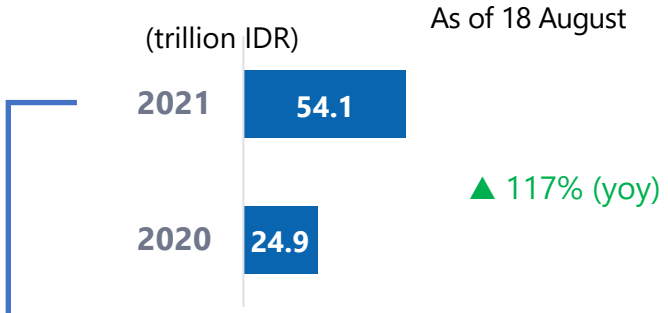
Benefit — **Real until Q2: IDR45.07 T**

- Income Tax Art 21 Borne by Government (PPH 21 DTP) for 76,025 Employer
- MSME Final Income Tax DTP for 125,198 MSMEs
- Exemption of Income Tax Art 22 for Import for 9,305 taxpayers
- Installment reduction of Income Tax Art 25 for 56,858 taxpayers
- VAT Preliminary Refund for 1995 taxpayers
- Lowering of Benefit Corporate Income Tax Rates for all taxpayers
- VAT DTP Property for 574 Sellers for 7,069 Buyers
- Luxury Goods Tax for Car Sales for 6 Sellers for 89.05 Thousand Units

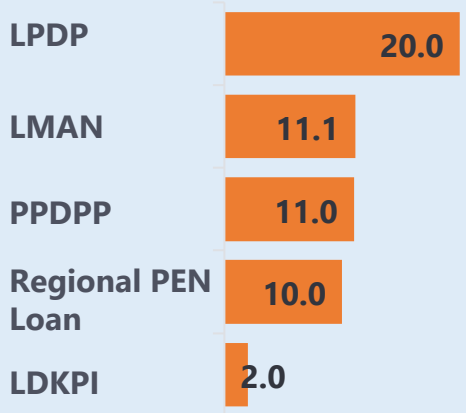
INVESTMENT REALIZATION IS ACCELERATED, TO PROVIDE IMMEDIATE BENEFITS

Acceleration of investment financing is aimed at maintaining continuity of Public Service Agency services

Realization of Investment Financing



Realization of disbursement to BLU LPDP, BLU PPDPP, BLU LMAN, BLU LDKPI, and Regional PEN Loan



The largest allocation of Government Investment Management is for Public Service Agency

Allocation changes are made to further promote the economy

Additional investment of Rp32.9 T for State Equity Participation to:

PT Waskita Karya (Persero) Tbk: IDR 7,9 T

Lembaga Pengelola Investasi (Indonesia Investment Authority): IDR 15 T

PT Hutama Karya (Persero): IDR 9 T

Land Bank: IDR 1 T

Plan in August to disburse IDR 33.27 T, of which IDR 5.56 T has been realized for LMAN at the beginning of the month.

THE STATE EXPENDITURE AND INVESTMENT ARE FULFILLED BY REVENUE AND FINANCING

The performance of state budget expenditure and investment keep accelerated, especially for Covid-19 handling and the economic recovery, supported by tax revenue, non-tax revenue and financing

EXPENDITURE

Budget: IDR2,750.0T

Realization: IDR1,368.4T (49.8%)

9.3% YoY

CG Spending: IDR952.8T 20.1%

Regional Transfer: IDR415.5T (9.4%)

INVESTMENT

Budget: IDR184.5T

Realization: IDR48.6T (26.3%)

194% YoY

Budget Deficit and Primary Balance

Deficit: IDR336.9T (2.04% to GDP)

Primary Balance: **IDR143.6T**

FINANCING

Budget: IDR1,006,4T

Realization: IDR447.8T (44.5%)

TAX REVENUE

Budget: IDR1,229.6T

Realization: IDR647.7T (52.7%) 7.6% YoY

CUSTOMS and EXCISE

Budget: IDR215.0T

Realization: IDR141.2T (65.7%) 29.5% YoY

NON-TAX REVENUE

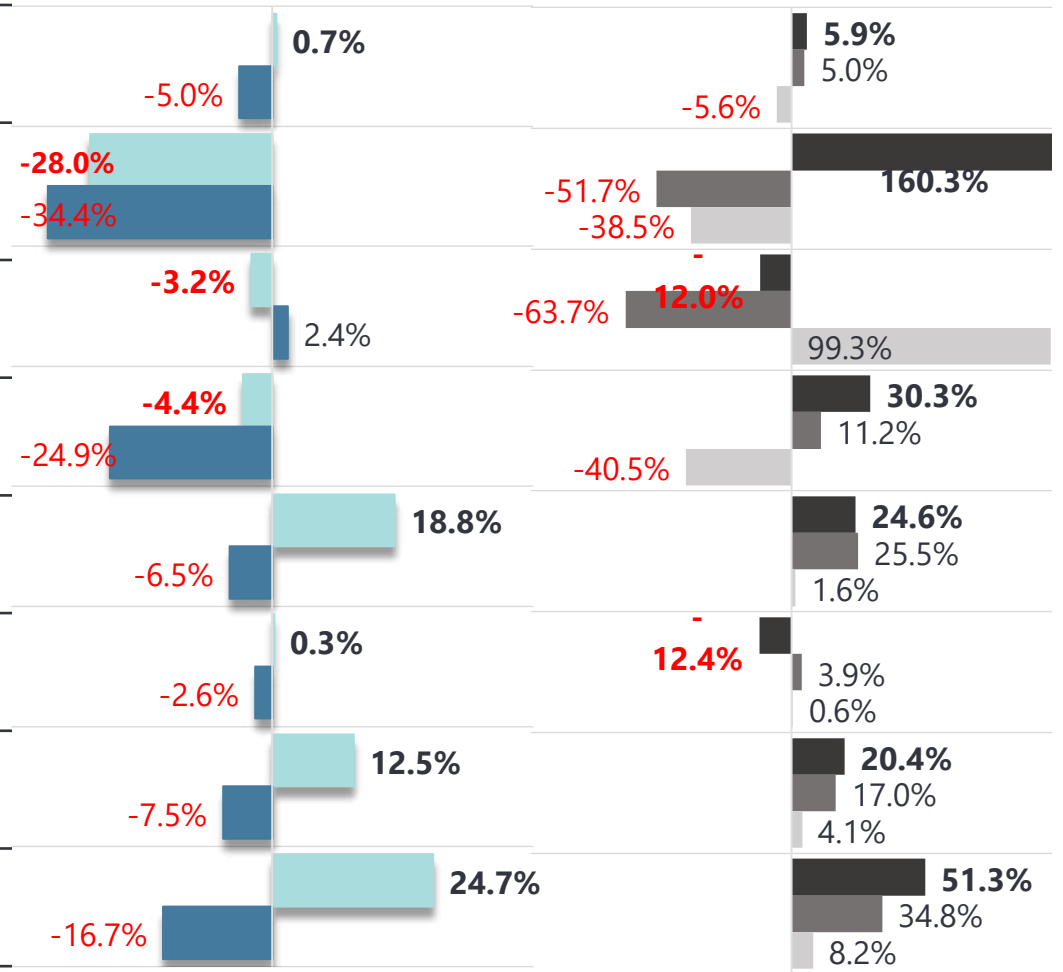
Budget: IDR298.2T

Realization: IDR242.1T (81.2%) 15.8% YoY

REVENUE FROM MOST OF TAXES KEEP IMPROVING

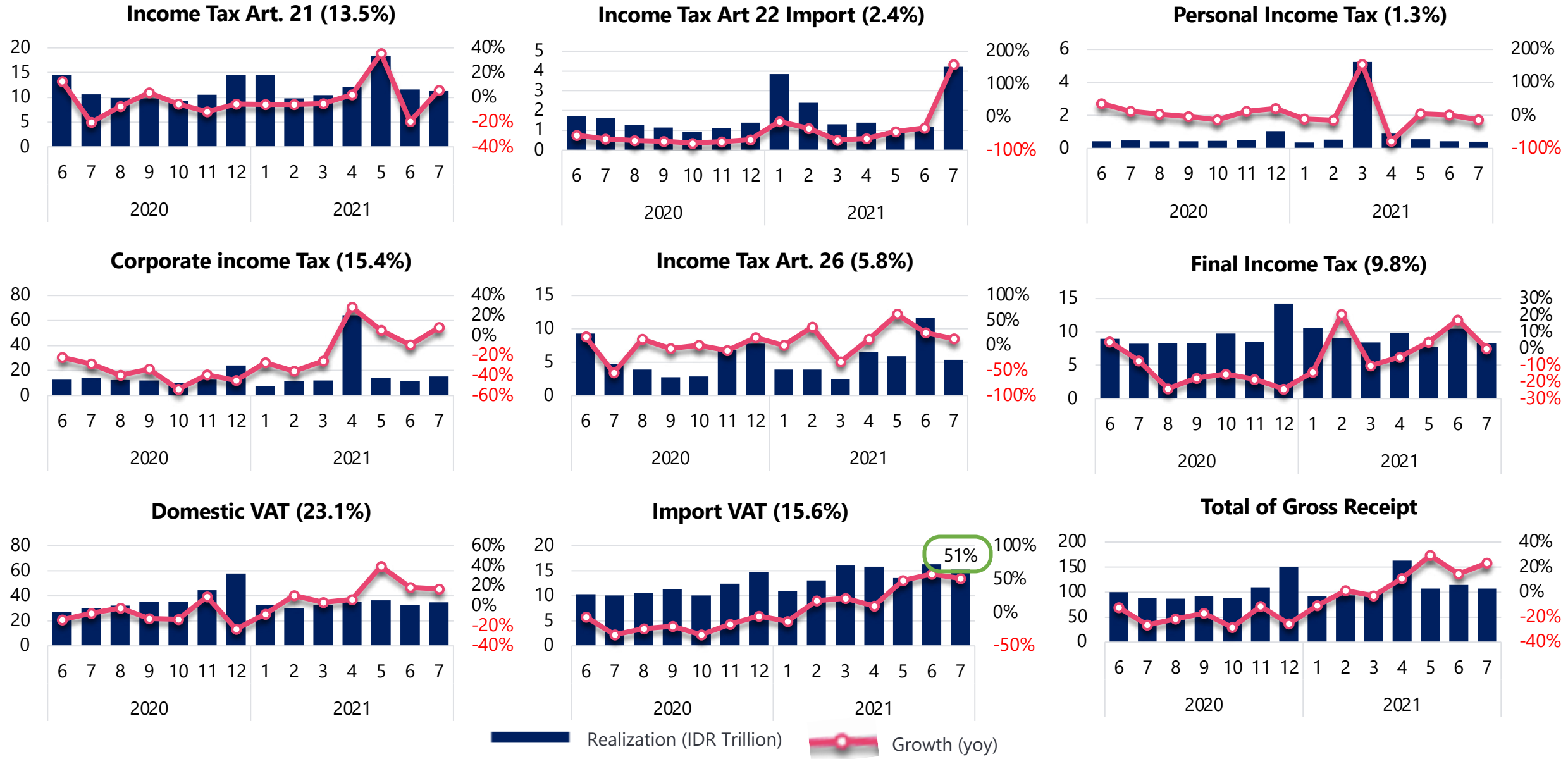
Several Taxes Signaling Economic Activities Are Able to Grow Double Digit in July 2021

Income Tax Art 21	13.5%
Income Tax Art 22 (Imported Goods)	2.4%
Personal Income Tax	1.3%
Corporate Income Tax	15.4%
Income Tax Art 26	5.8%
Final Income Tax	9.8%
Domestic VAT	23.1%
Import VAT	15.6%



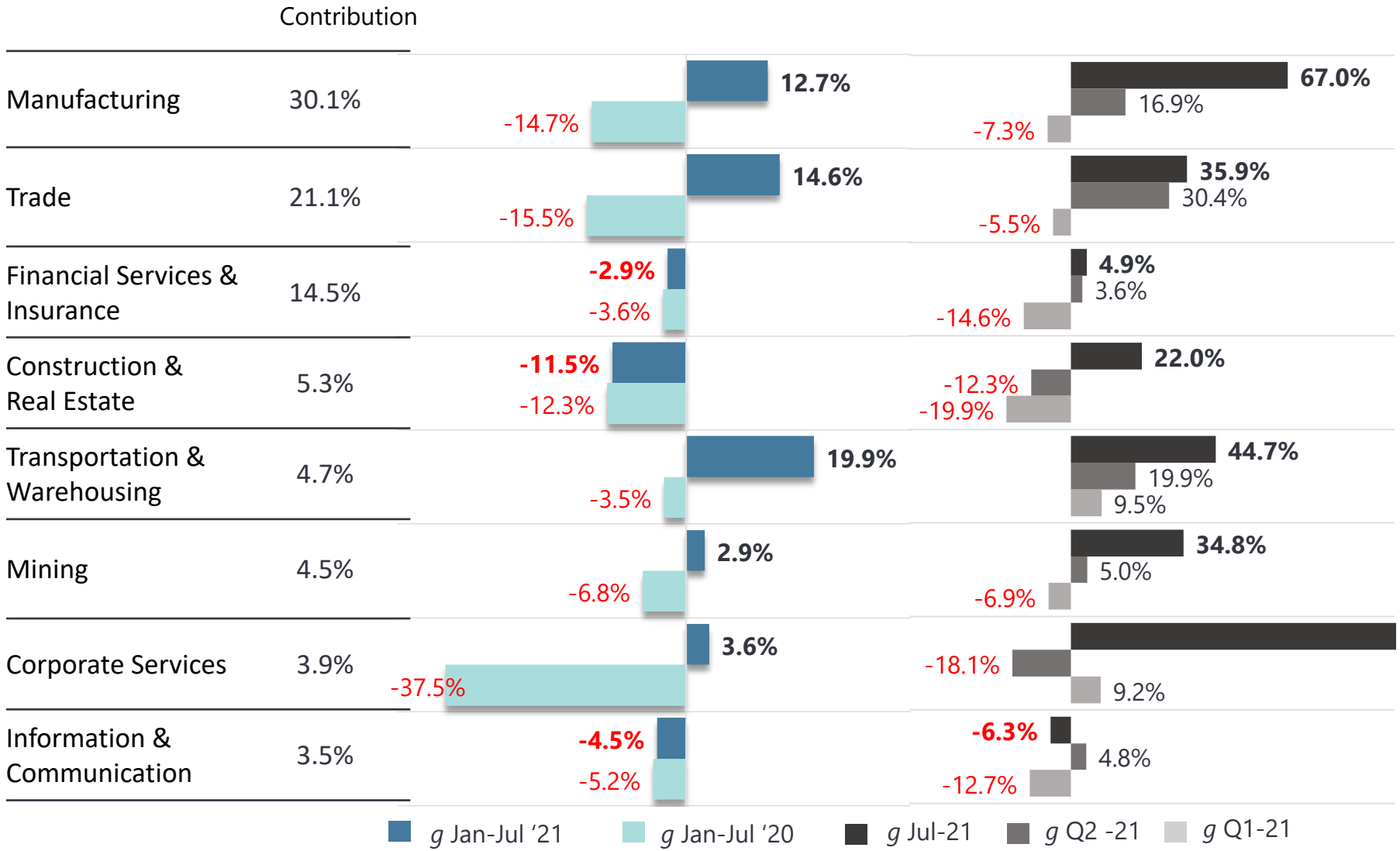
- Tax receipt, especially Income Tax Art. 21 and Domestic VAT reflected improving economic activity from January to July 2021
- Increased Revenue form Import VAT and Income Tax Art. 26 in July provide hope that economic activity was still able to move well during the implementation of mobility restriction or PPKM
- Some other taxes (Income Tax Art. 22 on Imported Goods and Corporate Income Tax) indicated improvement which was align with end of period of government incentive/facility in most sectors.

GROSS REVENUE OF MOST TAXES GREW POSITIVELY, ESPECIALLY IN BOTH DOMESTIC AND IMPORT VAT



NET REVENUE FROM THE MAJORITY OF SECTORS IMPROVED

Tax revenue of most sectors increased continuously



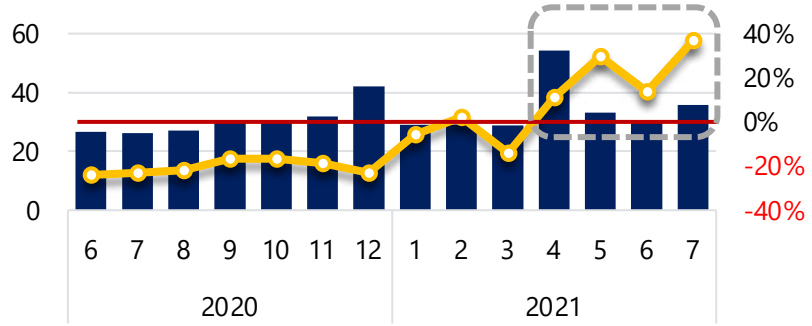
- ✓ **Economic recovery in the first semester, especially on the 2nd quarter** align with improvement in sectors' performance
- ✓ Increasing performance of **manufacturing, trade, and ICT** sectors was driven by by the recovery in global and domestic demand which boosted production, consumption, exports and imports.
- ✓ **Mining** sector performance was supported by rising global demand and commodity prices
- ✓ The recovery in **transportation** was in line with with the increasing people's mobility
- ✓ Construction activity started to recover, supported by VAT for luxury goods on houses borne by the government, thus boosted **Construction and Real Estate** performances

Note: Sectoral Revenues do not include Property Tax, Tax borne by Govt (DTP), and Oil & Gas Income Tax

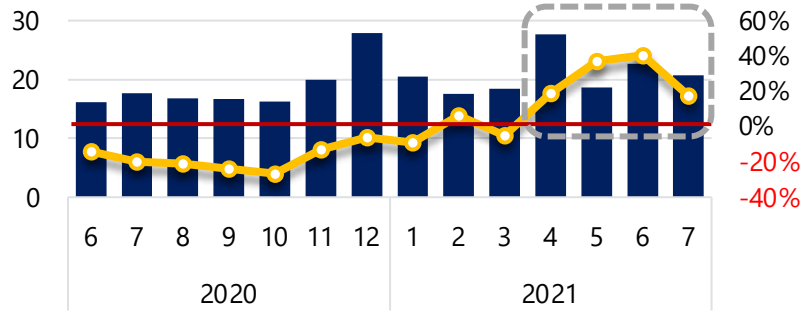
SECTORAL GROWTH REVENUE IS VARIED

Majority of Sectors Continued its positive trend since the beginning of Q2

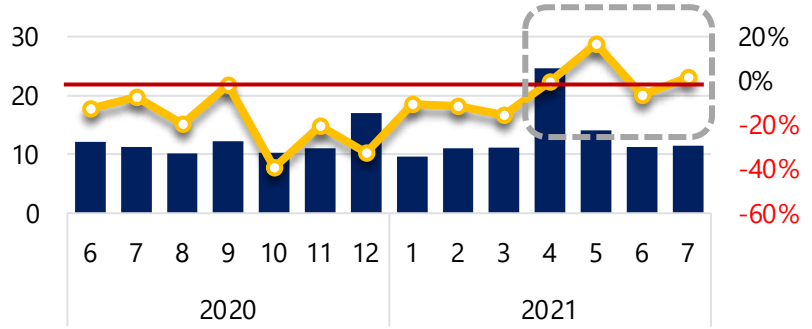
Manufacturing (30.1%)



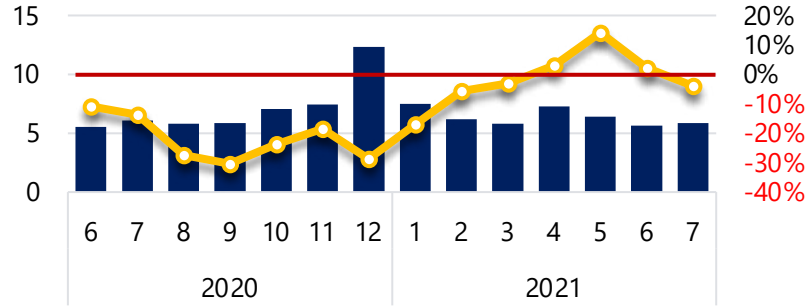
Trade (21.1%)



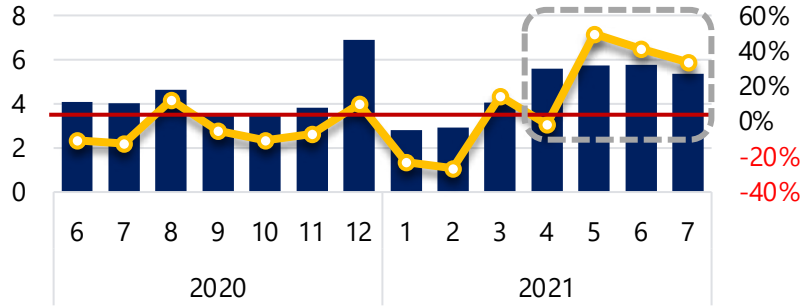
Financial Services (14.5%)



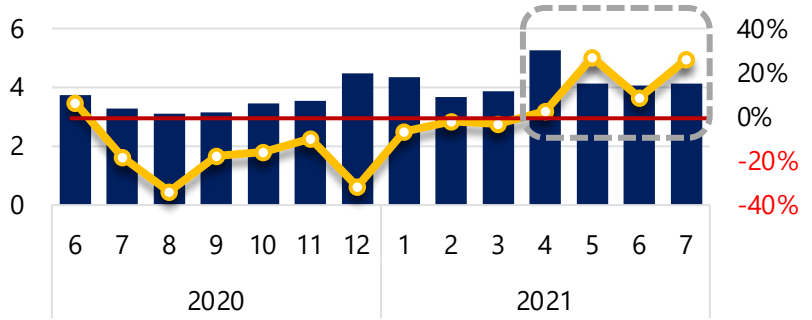
Construction & Real Estate (5.3%)



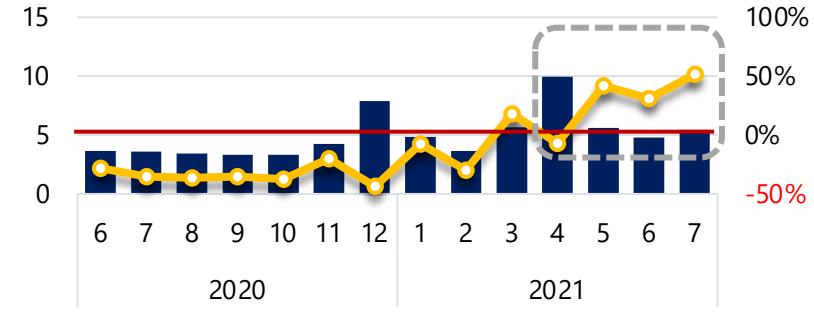
ICT (4.7%)



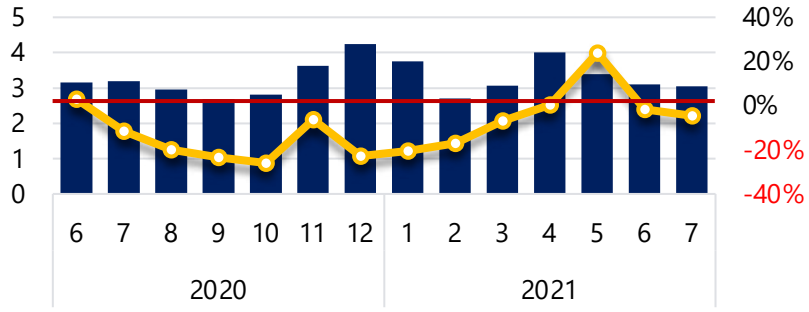
Transportation and Warehousing (4.5%)

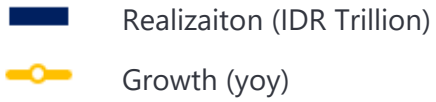


Mining (3.9%)



Corporate Services (3.5%)





AS OF JULY 2021, CUSTOM & EXCISE REVENUE REALIZATION GREW SIGNIFICANTLY

Driven by positive performance of all revenue components

Custom & Excise revenue realization reached Rp141.2 Trillion

(65.7% of the target, grew by 29.5% yoy)

Import Duty grew by 9.2% yoy

Affected by increasing domestic import trend, particularly in manufacturing industry and trade sectors.

Excises grew by 18.2% yoy

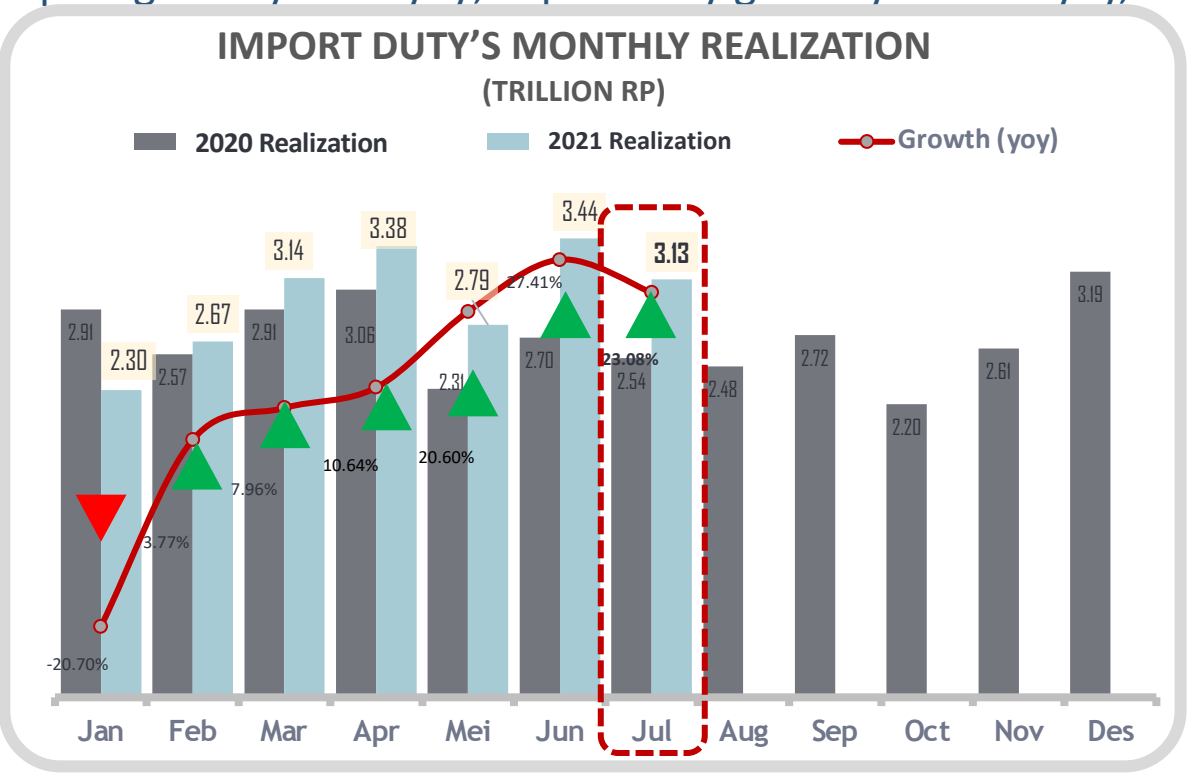
Driven by tobacco excise that is affected by 2020's credit payment of excise ribbon paid in 2021 (carryover), as well as the policy effectiveness (tariff adjustment) and supervision in excise.

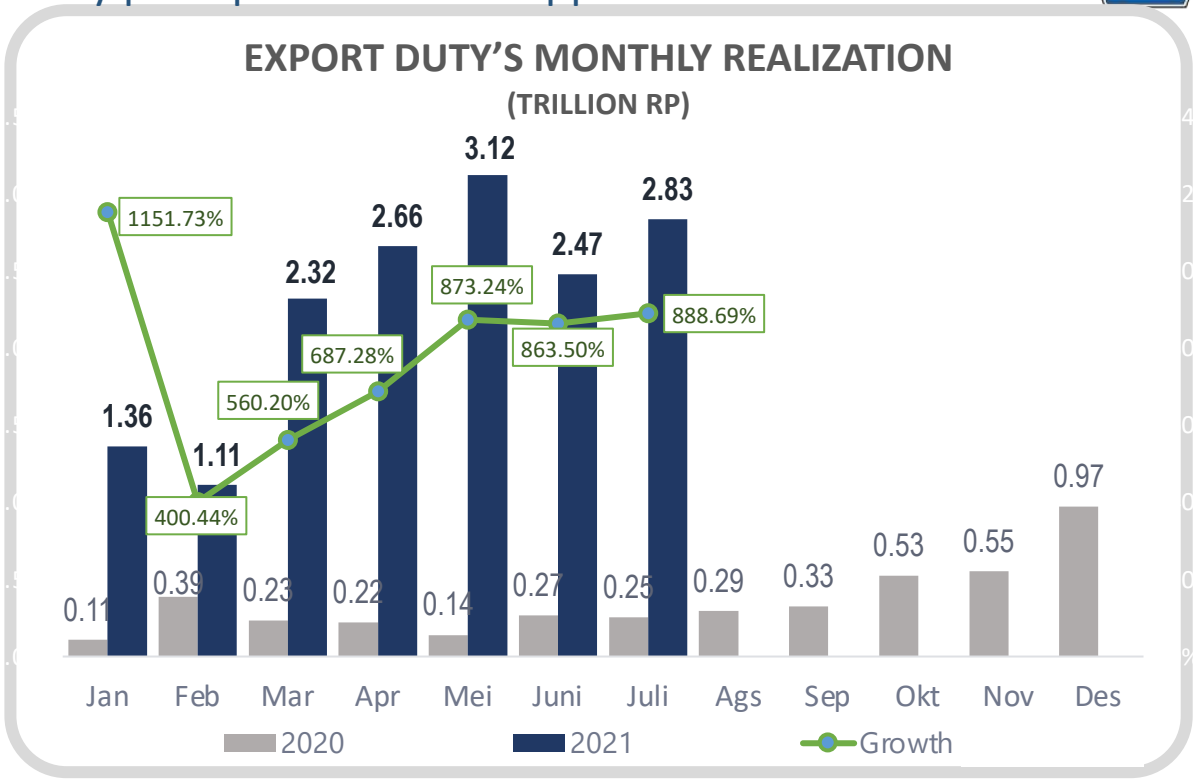
Export Duty grew by 888.7% yoy

Driven by commodities of copper and high price of palm products.

IMPORT AND EXPORT DUTY REVENUE GREW POSITIVELY

Import grew by 9.2% yoy; export duty grew by 888.7% yoy, driven by palm products and copper





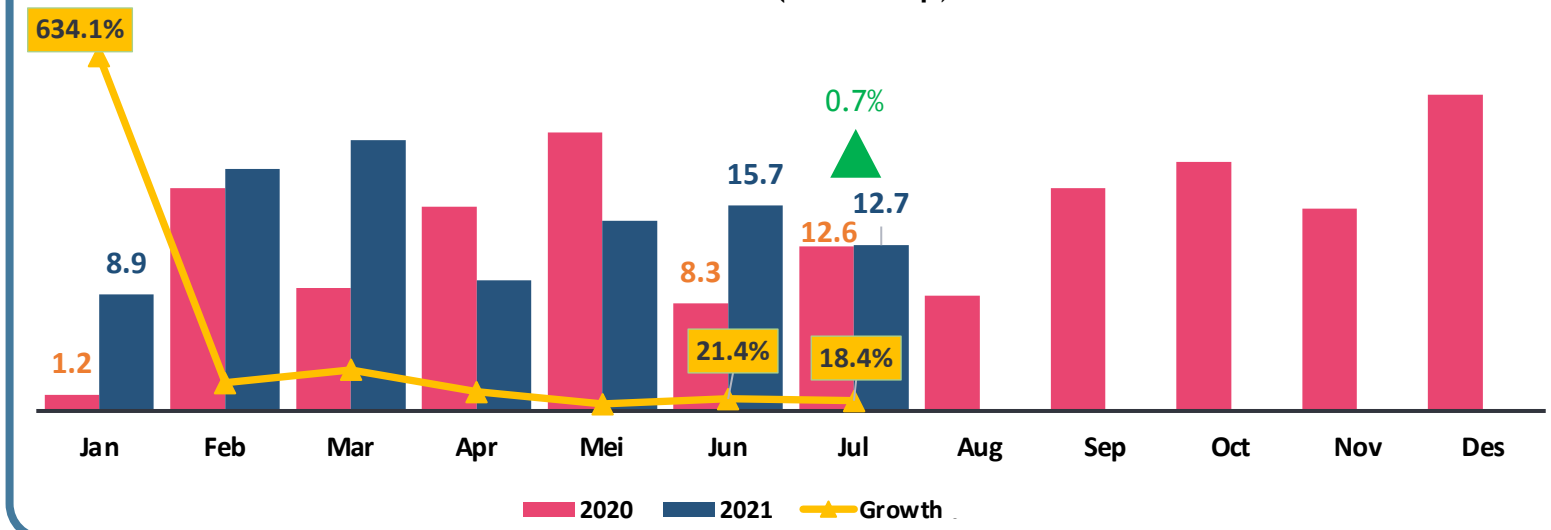
- **Import Duty as of July 2021** increased by 9.2% compared to July 2020, mainly driven by manufacturing and trade sectors.
- **Export Duty as of April 2021** increased significantly by 888.7% (yoy), driven by commodities of **copper and palm products**.
  - **Export duty of copper** increased by 210.9% (yoy) → affected by export **volume increase** and **copper price**.
  - **Palm products** jumped by 2,945.6% (yoy), driven by **CPO's export tariff increase in 2021** and export tariff imposed on CPO's derivatives (high CPO reference price effect).
  - Export duty on **Woods, Cacao, and Leather decreased** due to declining export volume of Cacao and the decreased tariff for veneer commodity starting in 2021.

TOBACCO EXCISE REVENUE INCREASED

Driven by Growing Tobacco Production

TOBACCO EXCISE REVENUE PERFORMANCE

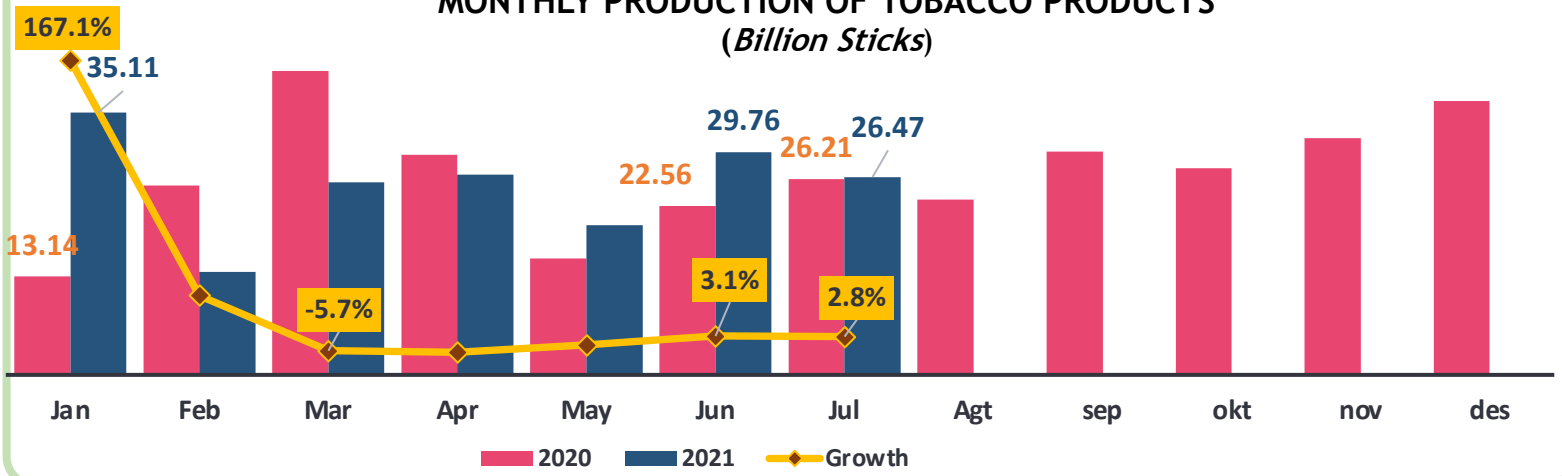
(Trillion Rp)



1. **Tobacco Excise Revenue** as of July 2021 **grew by 18.4% yoy**;;
2. Tobacco Excise Revenue in July was affected by the implementation of Minister Decree (PMK) 93/2021, which relaxed the payments up to 3 months;
3. **Tobacco production** as of July 2021 **grew by 2.8% (ytd)**, due to the low production of several major cigarette factories in May-June last year as a measure to anticipate the handling of high cases of Covid-19 at the time;
4. **The weighted average tariff grew by 10.4% (ytd),** but lower than the increase in the normative tariff (PMK 198/2020) which was 12.5%, due to the production of the Tier-1 (cigarette factory with a high tariff structure) was not optimum yet.

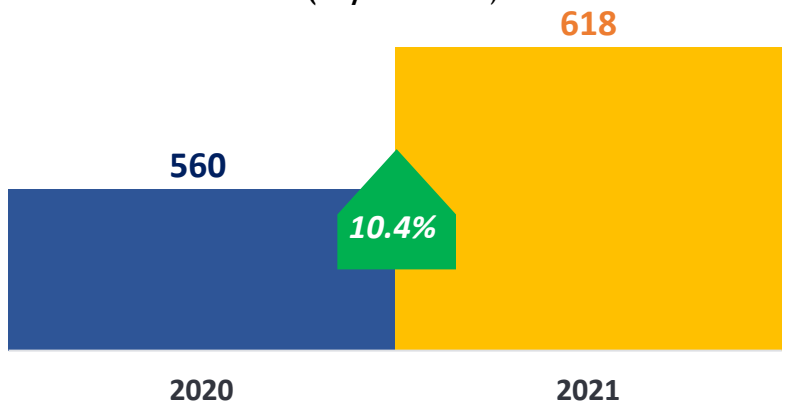
MONTHLY PRODUCTION OF TOBACCO PRODUCTS

(*Billion Sticks*)



WEIGHTED AVERAGE TARIFF

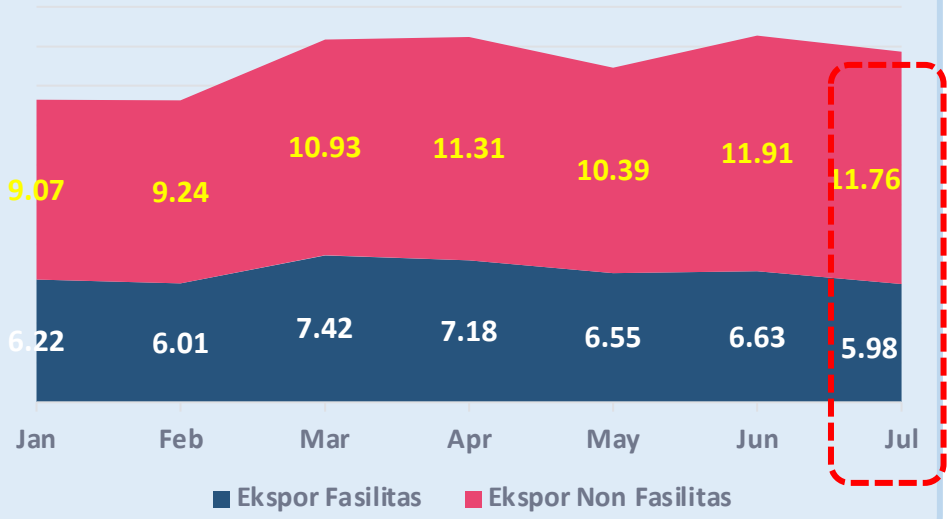
(*Rupiah/Stick*)



THE PROGRESS OF BONDED ZONE (KB) & IMPORT EASE FOR EXPORT GOODS (KITE) FACILITIES

(1 Jan 2021 - 31 Jul 2021)

FACILITATED AND NON FACILITATED EXPORTS (BILLION USD)



NUMBER OF COMPANIES

1,819 KB – KITE

KB : 1,373 and KITE : 446

EXPORT VALUE

Rp668.08 Trillion

(Exchange Rate on 31 Jul '21:Rp. 14.521)

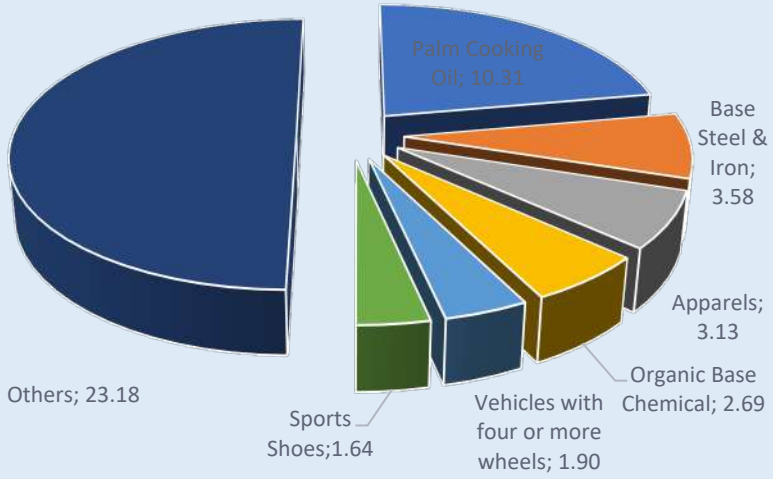
Contribution to National Exports

38.14%

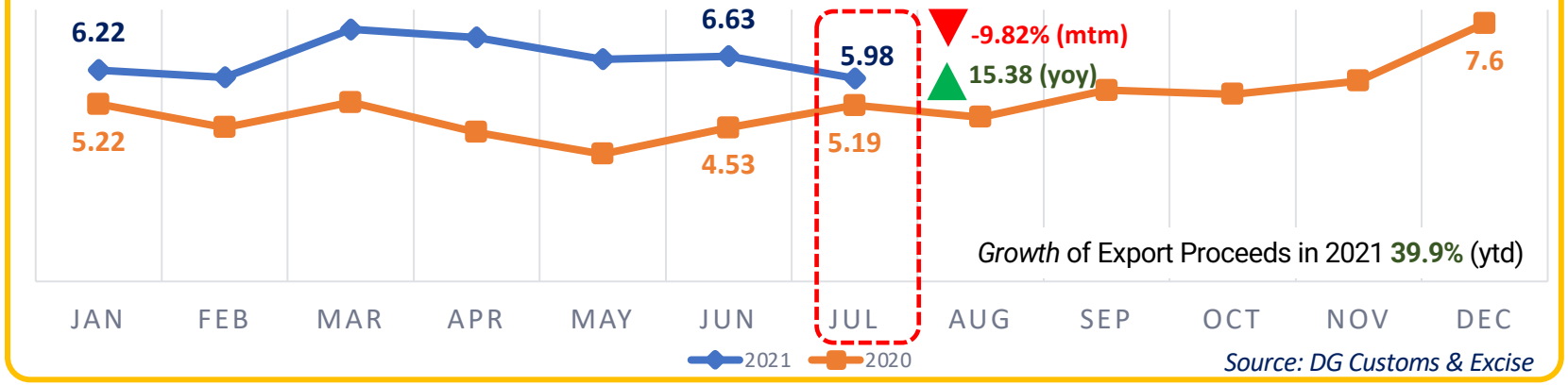
Export-Import Ratio

2,87

COMPOSITION OF KB-KITE EXPORT FACILITIES (BILLION USD)



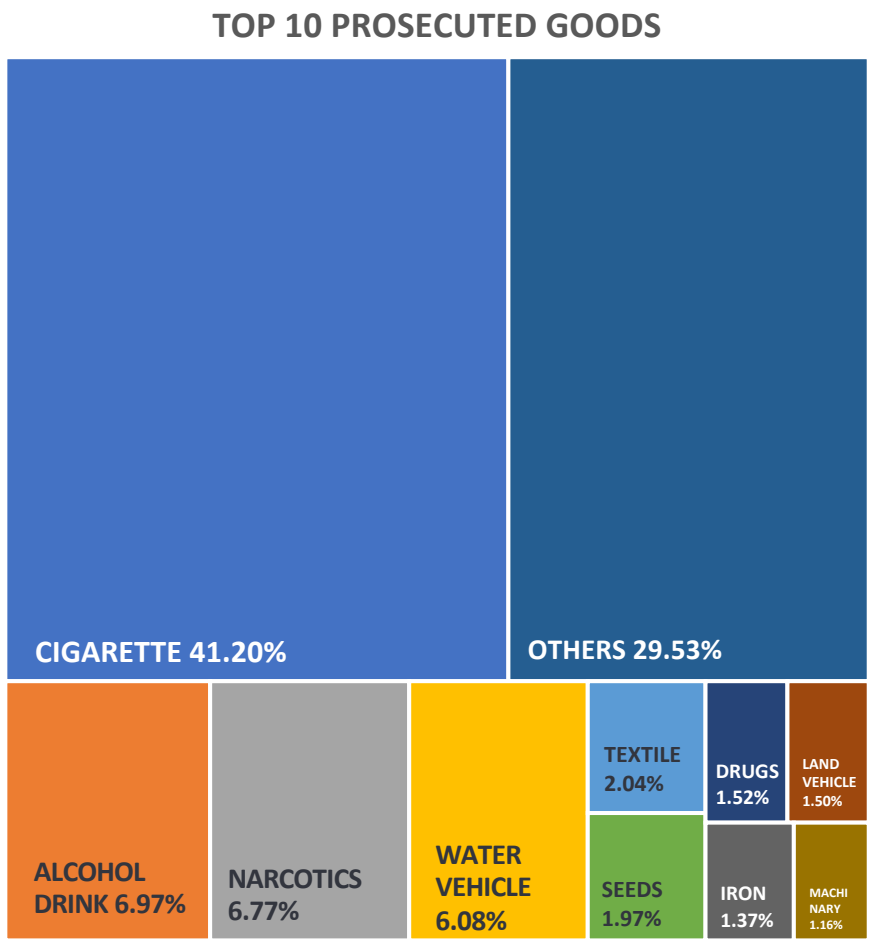
THE PROGRESS OF EXPORTS PROCEEDS WITH KB-KITE FACILITIES (BILLION USD)

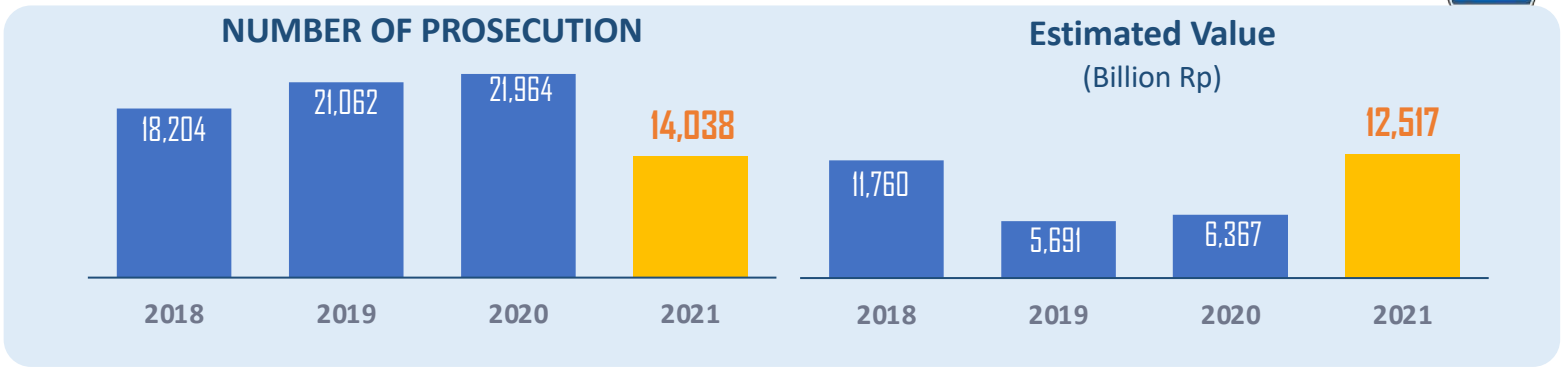


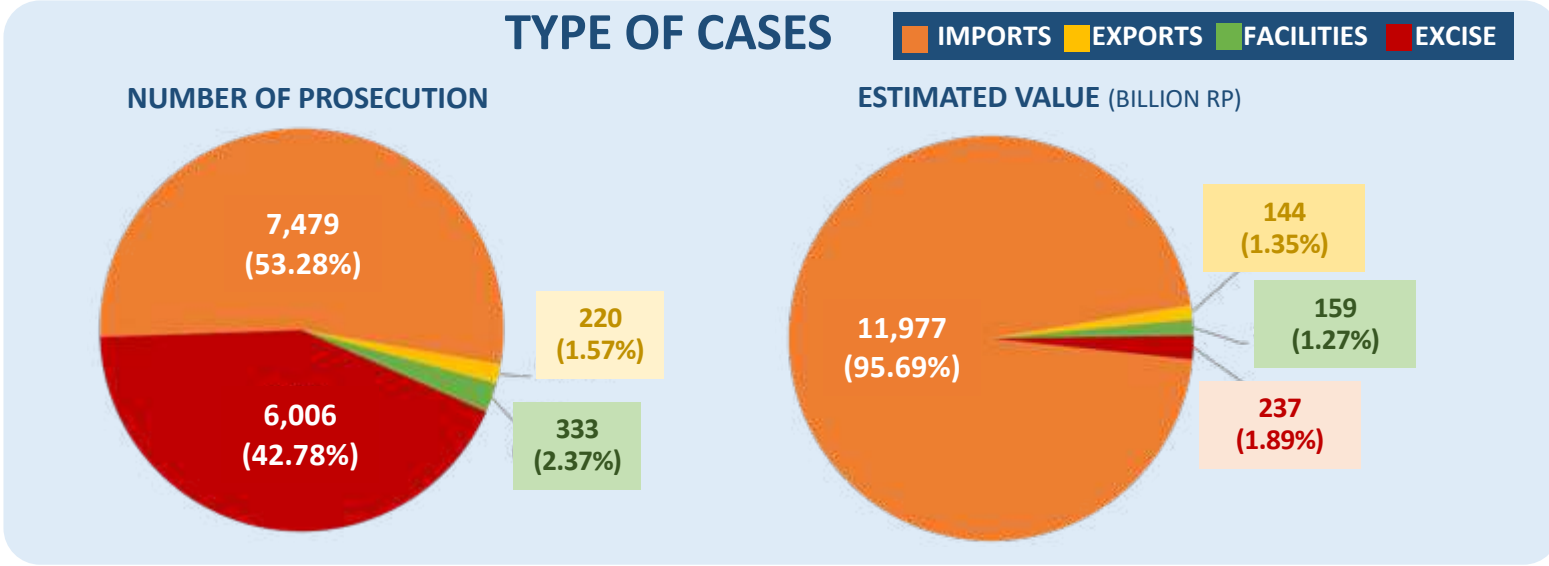
Source: DG Customs & Excise

- The biggest contributor to national exports still comes from exports without facilities;
- **Facilitated Exports** contributed quite significantly **(38.14%) to the national exports**;
- **The largest contributor** to facilitated exports came from **palm oil products (cooking oil)**;
- The facilities positively affects the performance of the Trade Balance, with its export to import ratio of 2.87;
- The performance of facilitated exports throughout 2021 grew by 39.9% (yoy), giving a positive signal of improvement in the domestic industrial sector.

EXCISE SUPERVISION PERFORMANCE (Week-31th, 2021)







- The performance of supervision (prosecution) has an increasing trend since 2018, while the enforcement in 2021 (on going) will reach 14,038 actions;
- Enforcement in the import sector is the main contributor to the performance of supervision, along with the increase in e-commerce import activities (post and buying service/"jastip");
- The share of tobacco products (cigarettes) has reached 41.20% of the total national prosecution, in line with the incessant operations against illegal cigarettes.

FISCAL INCENTIVES REALIZATION OF ECONOMIC RECOVERY PROGRAM IN HEALTH SECTOR (1 Jan 2021 - 23 Agustus 2021)

FISCAL INCENTIVES OF CUSTOM AND EXCISE 2021

TOTAL FACILITY
(Import tax & Duty)

IDR 4.58 T

RESERVED

IDR 25.01 T

FISCAL INCENTIVES MEDICAL EQUIPMENT IMPORT

MEDICAL EQUIPMENT IMPORT

PMK 34 jo 83 jo 149/2020
PMK 171/2019
PMK 70/2020

Value of the facility
(Import tax and duty)

IDR 1.28 T

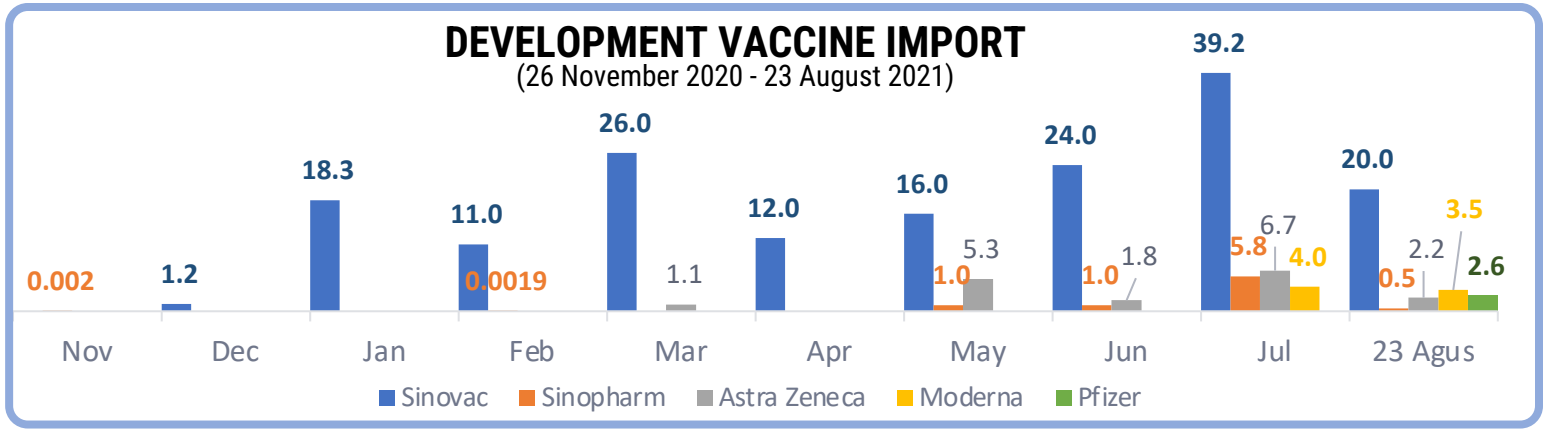
VACCINE IMPORT (PMK 188/2020)

Value of the facility
(Import tax and duty)

IDR 3.30 T

Jumlah Vaksin

201.99 Jt dosis



- Throughout 2021, customs and excise incentives related to PEN reached IDR 4.58 trillion;
- The incentives are mostly for health care (Cov-19), such as importing medical equipment (IDR 1.28 T);
- Incentives were also given to the import of vaccines (IDR 3.30 T) which had reached 201.99 million doses.

SOurce: Data Dit IKC estimated as of 23 August 2021

PERFORMANCE OF NON-TAX REVENUE UNTIL JULY 2021 IS IMPROVING

Supported by increased revenue of natural resources, other non-tax revenue and public service agency

Non-Tax Revenue of Rp242.1 T (81.2% of the Budget)

Oil and Gas Revenue grew 8.1% (63.4% of the Budget)

- The increase in Oil and Gas Revenue was mainly due to the increase in ICP in the last 8 months

Non-Oil and Gas Revenue grew 62.9% (81.7% of the Budget)

- An increase in commodity prices and production volumes ➔ prices of coal, gold, silver, copper, tin, and nickel
- Supported by the increase in the forestry and geothermal sectors ➔ increased timber production, use of forest area, payment of non-tax revenue PKH receivables, as well as increased revenues from geothermal exploitation

Separate State Asset Revenue (104.2% of the Budget)

- Influenced by the decline in financial performance in the 2020 due to the impact of the Covid-19 pandemic and the absence of depositing the remaining BI surplus

Other Non-Tax Revenue revenue grew 31.2% (72.6% of the Budget)

- Increase in Sales of Coal Mining Products and Line Ministries Non-tax revenue services (radio frequency spectrum income, agrarian services, Religious Affairs office (KUA), and Police)

Public Service Agency revenue grew by 97.4% (109.3% of the Budget)

- Increase in revenue from palm oil fund management, education services, and telecommunications services

The potential increase in Non-Tax Revenue from Natural Resources Revenue is indicated by the upward trend in the average price of crude oil and commodity prices since the beginning of 2021.

- ICP realization for the last 8 months (Dec 2020-July 2021) was USD60.42 per barrel (Budget: USD45 per barrel).
- The average Reference Coal Price (HBA) (Jan-July 2021) is USD91.46/ton (APBN: USD70/ton).

FINANCING HAS AN IMPORTANT ROLE TO SUPPORT ACCELERATION OF PEN PROGRAMME

The need for debt financing through the issuance of SBN is reduced as the maximization of budget surplus (SAL)

Budget Financing Realization:

IDR447.8T

or 44.5% of its target

▼10,9% (YoY)

Budget Financing (IDR T)	2020			2021			
	Realization as of July	% of Budget	YoY (%)	Budget	Realization as of July	% of Budget	YoY (%)
Debt Financing	518.0	42.4	117.6	1,177.4	468.1	39.8	(9.7)
Government Bond (net)	513.4	43.7	(172.9)	1,207.3	487.4	40.4	(5.1)
Government Borrowing (net)	4.6	9.9	(172.9)	(29.9)	(19.4)	64.8	(518.2)
Investment Financing	(16.5)	6.4	221.4	(184.5)	(48.6)	26.3	194.3
Government Lending	1.4	24.7	114.0	0.4	1.6	354.4	10.5
Guarantee	(0.4)	71.3	-	(2.7)	-	-	(100.0)
Other Financing	0.2	0.2	798.3	15.8	26.7	169.5	15,915.1
Total	502.7	48.4	115.2	1,006.4	447.8	44.5	(10.9)

- **The target for government bond issuance decreased** as a result of the use of budget surplus (SAL) and a reduction in the nominal deficit outlook.
- Following the improvement on financial market conditions, **GSO no longer has been conducted** since the 27 April and 4 May SBSN auctions**.** This is a positive impact of the decline in UST yield on the SBN market.
- As of 20 August, **the contribution from Central Bank in SBN purchase** amounted to IDR136.01 T (SUN IDR92.82 T; SBSN IDR43.19T).
- With **the implementation of the SKB III** between the Government and Central Bank, there is an adjustment to the target for the issuance of SBN in the primary market.

MACROECONOMIC INDICATORS DEVELOPMENT

INDICATOR	2020	2021	
	Realization	State Budget	Up to April
Economic Growth (%, yoy)	-2.07	5.0	3.10 (ytd)
Inflation	1.68	3.0	0.81 (ytd)
(%, yoy)			1.52 (yoy)
Exchange Rates	14,578	14,600	14,384(eop)*
(Rp/US$)			14,333(ytd)*
10-years treasury bond yield	n/a	7.2	6.30 (eop)**
(%)			6.42 (ytd)**
ICP (Oil Price)	40.5	45	72.17(eop)
(US$/Barrel)			63.84 (ytd)
Oil Lifting	706	705	686.8(eop)***
(thousand barrel per day)			666.6 (ytd)
Gas lifting	975	1,007	1,036 (eop)****
(thousand barrel – equal oil per day)			1,005 (ytd)

as of Aug 18 2021 **the latest auction was in Aug 18, 2021 * as of July 2021***** as of June 2021*

Economic Indicator Progress 2020

- **Economic growth:** Second Quarter 2021 GDP grew by 7.07%. The 2021 GDP outlook figure is in the range of 3.7 - 4.5%
- **Inflation rate: i**nflation in July 2021 was recorded at minus 0.08% (mtm) influenced by the increase in food prices amid limited demand growth due to the impact of implementing PPKM in several regions in order to control the Covid-19 pandemic.
- **Rupiah Exchange Rate:** The rupiah moved steadily in mid-August 2021 and the Rupiah (ytd) depreciated 3.5% compared to the initial exchange rate in 2021.
- **SBN 10 Years:** The weighted average yield of 10-Year Government Securities is 6.42% (ytd). The last auction was on 18 August 2021 with a yield of 6.30%.
- **Indonesian Crude Oil Prices:** The ICP price increased slightly due to the strengthening of crude oil market fundamentals, especially the increase in demand from the US, China and Europe.
- **Oil and Gas Lifting:** Oil and gas lifting up to May 2021 is 662.58 thousand bpd and 999 thousand bpd, respectively

STATE BUDGET KEEP SUPPORTING PANDEMIC HANDLING AND ECONOMIC RECOVERY

In line with economic activity improvement and government support in Covid-19 pandemic handling and economic recovery

Account (IDR T)	2020				2021			
	Budget[1]	Realized[2]	% of Budget[3]	YoY (%)	Budget	Realized[4]	% of Budget	YoY (%)
Revenue	**1,647.8**	**922.5**	**54.3**	**(12.3)**	**1,743.6**	**1,031.5**	**59.2**	**11.8**
Tax Revenue	1,072.1	602.0	50.2	(14.7)	1,229.6	647.7	52.7	7.6
Customs & Excise	213.0	109.1	53.0	3.7	215.0	141.2	65.7	29.5
Non Tax Revenue	343.8	209.0	71.1	(13.5)	298.2	242.1	81.2	15.8
Expenditure	**2,595.5**	**1,252.4**	**45.7**	**1.3**	**2,750.0**	**1,368.4**	**49.8**	**9.3**
Central Government Expenditure	1,833.0	793.6	40.2	4.2	1,954.5	952.8	48.7	20.1
Regional Transfer & Village Funds	762.5	458.8	60.1	(3.4)	795.5	415.5	52.2	(9.4)
Primary Balance	**(633.6)**	**(147.1)**			**(633.1)**	**(143.6)**		
Surplus (Deficit)	**(947.7)**	**(329.9)**			**(1,006.4)**	**(336.9)**		
% to GDP	*(6.14)*	*(2.14)*			*(5.70)*	*(2.04)*		
Financing	**1,193.3**	**502.7**	**48.4**	**115.2**	**1,006.4**	**447.8**	**44.5**	**(10.9**
Budget Surplus (Deficit)	**245.6**	**172.9**				**110.9**		

(1) LKPP Audited 2020, (2) As of July 31, 2020, (3) % to Presidential Regulation 72/2020, (4) As of July 31, 2021

Revenue

- Tax Revenue grew positively in line with improving economic activity and international trade.
- Non-tax revenue increased in line with the upward trend in commodity prices, especially oil, minerals, coal, and CPO.
- Fiscal incentives are optimized for the handling of the Covid-19 pandemic and support for the business.

Expenditures

- Government spending is accelerated to support Covid-19 handling and national economic recovery at the central and regional levels.
- The 2021 APBN Law provides flexibility for the management of state expenditures through refocusing and reallocating the budget.

Financing

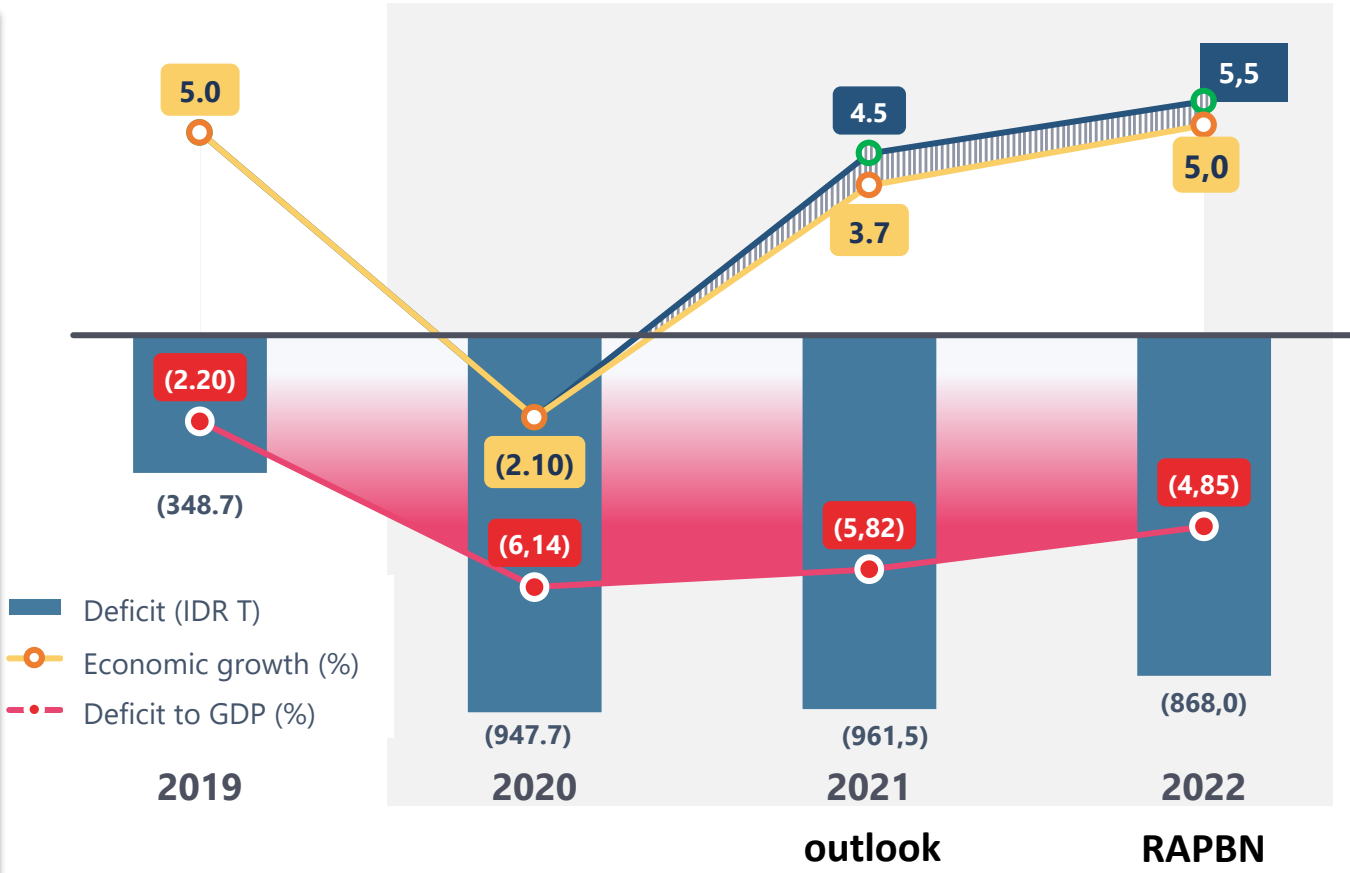
- The Budget Deficit and Financing is in line with the countercyclical policy implemented by the government

2022 STATE BUDGET

2022 PROPOSED STATE BUDGET FOCUSED ON SUPPORTING ECONOMIC RECOVERY AND STRUCTURAL REFORM

Fiscal consolidation is carry on while anticipating the uncertainty

- Covid-19 handling and vaccination are the key for the economic recovery
- The dynamics of the Covid-19 pandemic in 2021 and the risk of uncertainty in 2022 need to be anticipated in the implementation of 2021 budget and the 2022 fiscal policy
- The theme of the 2022 Fiscal Policy is to continue support for the Economic Recovery and Structural Reform
- The 2022 proposed budget will focus on health sector and strengthening community protection while remaining flexible in anticipating the uncertainty



- In 2023 fiscal deficit at <3% of GDP according to the mandate of Law 2/2020.
- In 2022 proposed budget, the deficit is maintained at around 4.85% of GDP to give smooth trajectory for fiscal consolidation process.

2022 PROPOSED BUDGET POSTURE

Deficit of 4.85% of GDP with flexibility to anticipate the uncertainty

Account (IDR T)	2019	2020		2021		2022	
	Audited	Audited	Growth (%)	Outlook	Growth (%)	Proposed Budget	Growth (%)
State Revenue*	**1,960.6**	**1,647.8**	**(16.0)**	**1,735.7**	**5.3**	**1,840.7**	**6.0**
Tax Revenue	1,546.1	1,285.1	(16.9)	1,375.8	7.1	1,506.9	9.5
Non Tax Revenue	409.0	343.8	(15.9)	357.2	3.9	333.2	(6.7)
State Expenditure	**2,309.3**	**2,595.5**	**12.4**	**2,697.2**	**3.9**	**2,708.7**	**0.4**
Central Government Expenditure	1,496.3	1,833.0	22.5	1,927.0	5.1	1,938.3	0.6
Regional Transfer & Village Funds	813.0	762.5	(6.2)	770.3	1.0	770.4	0.02
Primary Balance	**(73.1)**	**(633.6)**	**766.8**	**(595.3)**	**(6.0)**	**(462.2)**	**(22.4)**
Surplus (Deficit)	**(348.7)**	**(947.7)**	**171.8**	**(961.5)**	**1.5**	**(868.0)**	**(9.7)**
% to GDP	*(2.20)*	*(6.14)*		*(5.82)*		*(4.85)*	
Financing	**402.1**	**1,193.3**	**196.8**	**961.5**	**(19.4)**	**868.0**	**(9.7)**

**The State Revenue include Grant*

State Revenue IDR 1,840.7 T

- Tax Revenue is projected at IDR 1,506.9 T supported by recovery and optimization policies.
- Non-tax revenue IDR 333.2 T due to not recurring non-service revenue and optimization government share of oil and gas revenue.

State Expenditure IDR 2,708.7 T

Directed to support policies synergies in health care, community protection and economic recovery

- Central government expenditure IDR 1,938.3 T include:
  - Expenditure reserves IDR 61.8 T
  - Health spending and vaccination in PEN Programme IDR 44.0T
- Transfer to Region and Village Funds IDR 770.4 T

Deficit and Budget Financing IDR 868.0 T (decreased by 9.7%)

- Fiscal deficit ratio 4.85% of GDP
- With efficient and prudent financing sources, including the use of budget surplus (SAL)

STATE EXPENDITURE ALLOCATION IN 2022 AMOUNTED IDR 2,708.7 T

Increased by 0.4% from the 2021 state expenditure outlook

Continuing the handling of the Covid-19 Pandemic and protecting the community,

- Health Sector → continue vaccination program including support for vaccine development and handling of Covid-19 cases (patient claims, health workers incentives, drugs)
- Continuation and strengthening of several social welfare programs

Structural Reforms to avoid opportunity loss

- National Health System
- Education to improve the quality of human resources
- Lifelong Social Protection

Completion of strategic infrastructure development related to basic services and supporting productivity, as well as support for priority areas such as ICT and Food

Continuing Budgeting Reform to improve the quality of spending that is more efficient, effective, productive and has real benefits for the economy and people's welfare.

Continue to improve the quality of regional spending to increase and distribute welfare among regions.

FOR THE YEAR OF 2022, THE GOVERMENT BUDGET HAS BEEN ALLOCATED FOR ECONOMIC RECOVERY PROGRAM OF IDR 321.2 T

a. **Health Sector IDR 77.05 T,** including covers:
   - *Testing, Tracing, Treatment*
   - Covid Patient Care (250 thousand patient with cost sharing scheme with BPJS)
   - Covid medicines (4 million package)
   - Health Workers Incentives (12 months)
   - Vaccination
     - ✓ Procurement IDR 38.44 T → 189 million people funded by Government (70% citizen), 27 million people self vaccination
     - ✓ Vaccination support Dukungan Vaksin Pusat Rp3,0 T
   - Other health anticipation

Notes: The 2022 Economic Recovery Program is a temporary allocation from the 2022 Central Expenditure, potentially increasing in line with the development of the handling of Covid-19 which could some from TKDD, Financing and Tax Incentives.

b. **Community Protection IDR 126.54 T,** including cover:
   - Family Hope Program for 10 million families
   - Food Card Program for 18.8 million families
   - Pre-Employment Program
   - Support program for loosing job
   - Anticipation of the expanded of social protection

c. **Priority program IDR 90.04 T**, including to support labor-intensive activities, tourism, food security and ICT and other priority programs.

d. **MSMEs and Business Support IDR 27.48 T**, including to support interest subsidies for MSMEs, IJP IMKM and corporations, as well as support programs for MSMEs and other corporations.

CLOSE CORDINATION BETWEEN GOVERNMENT AND BANK INDONESIA FOR HEALTH AND HUMANITY

BACKGROUND AND LEGAL BASIS OF SKB III

BACKGROUND

- The increasing spread of Covid-19, including the delta variant, requires large funding to finance for health and humanity handling as the impact of the COVID-19 pandemic.
- The government and Bank Indonesia (BI) have a solid coordination, in which BI actively participates in SBN purchasing in the primary market, as a form of BI's contribution to health and humanitarian financing.
- The agreement between the Government and BI is written in the Joint Decree of the Minister of Finance and the Governor of Bank Indonesia concerning the Scheme and Coordination Mechanism between the Government and Bank Indonesia in the Context of Financing for Health and Humanitarian Management to Handle the Impact of the Corona Virus Disease 2019 (COVID-19) Pandemic through Purchases in the Primary Market by Bank Indonesia on Government Securities and/or State Sharia Securities Issued by the Government (or referred to as SKB III)

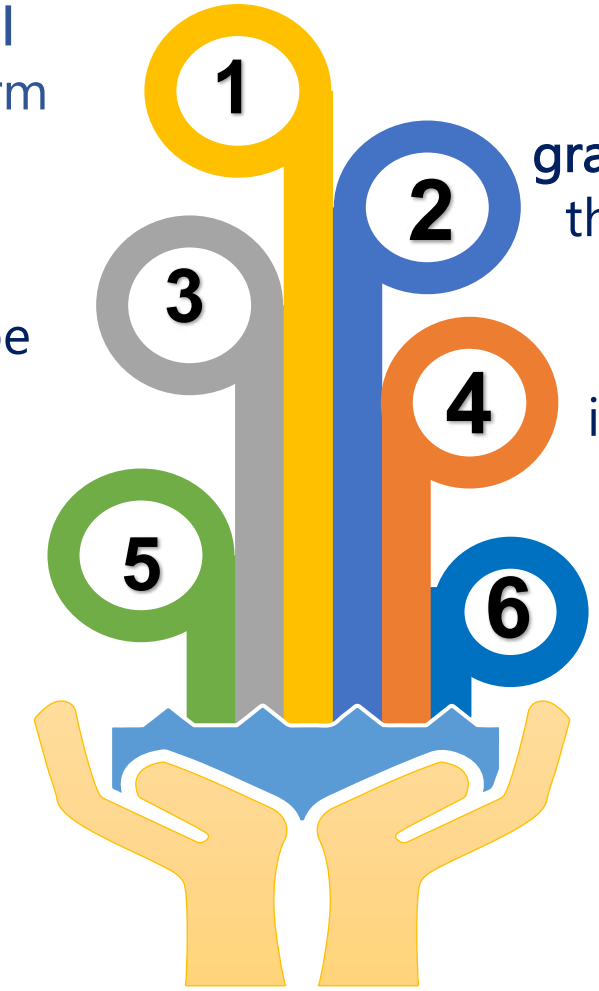
LEGAL BASIS OF SKB III

1. **Law No. 23 of 1999** on Bank Indonesia as frequently amended and last Law No. 6 of 2009
2. **Law No. 24 of 2002** on government bond (SUN)
3. **Law No. 19 of 2008** on state sharia bonds (SBSN)
4. **Law No. 2 of 2020** on the Stipulation of Government Regulations in Lieu of Law (Perppu) Number 1 of 2020

PRINCIPLES OF THE GOVERNMENT BI AND COORDINATION

in financing the Covid-19 Impact Handling

1. Maintain **fiscal space and fiscal sustainability** in the medium term
2. **Reduce the state budget deficit gradually below 3%** in accordance with the provisions of the emergency law
3. Maintain **exchange rate stability** as well as interest rate and inflation to be under control
4. Uphold the **credibility and integrity** value in the management of the economy, fiscal and monetary
5. Promote sustainable economic growth
6. Maintaining the financial sustainability of the Government and Bank Indonesia



THE GOVERNMENT AND BI COOPERATION SCHEME IN SKB III

- **BI will contribute to all interest costs for financing vaccinations and health care** with a maximum limit of Rp.58T (2021) and Rp.40T (2022) according to the ability of the BI Balance Sheet
- **The remaining interest costs for financing other health care as well as humanitarian treatment are borne by the Government** with a reference interest rate for the BI Reverse Repo Interest Rate for a tenor of 3 months (below the market interest rate)

SCHEME OF SBN ISSUANCE AND BI'S CONTRIBUTION

Cluster A

2021 → Rp58 T
2022 → Rp40 T

Interest rate equal to BI's three-month reverse repo rate BORNE BY

BANK INDONESIA

Cluster B

2021 → Rp157 T
2022 → Rp184 T

Interest rate equal to BI's three-month reverse repo rate BORNE BY

GOVERNMENT

- The issuance of SBN is carried out through a **private placement method:** reducing the target of SBN auction and controlling debt costs
- SBN is issued at floating interest rates with reference to the **BI's three-month reverse repo interest rate.**
- SBN is **tradable and marketable**

Notes:

Cluster A :
Health Handling which includes funding for vaccination programs and other health care related to the Covid-19 pandemic.

Cluster B :
- Health Handling related to the Covid-19 pandemic other than Cluster A, and
- Humanitarian Handling in the form of funding for various protection programs for affected communities/small businesses.

ARRANGEMENTS IN SKB III

Terms regarding flexibility

1. The amount of SBN purchases by BI and the amount of SBN issuance with BI's contribution payment **could be adjusted** according to the financing needs of the Health and Humanitarian and BI's financial condition with **a written agreement** between the Minister of Finance and the Governor of BI which is an integral and inseparable part of the SKB III.
2. If there is a change in the purchase amount of SUN and/or SBSN, the change **shall be submitted in a consultation meeting with Commission XI of the Legislation (DPR RI).**

Special Accounts

1. The proceeds from the issuance of SBN are placed by the Government **in a special account** at Bank Indonesia.
2. The provisions and mechanisms for special accounts follow the provisions of the laws and regulations.
3. Special accounts **are not remunerated** by Bank Indonesia.

Scope of Coordination

1. **plans to issue SBN** to fulfill financing need for handling the impact of the COVID-19 pandemic;
2. **evaluation of the purchase of SBN by BI** in the primary market to fulfill financing need for handling the impact of the COVID-19 pandemic;
3. **changes in the amount of SBN purchases by BI** in the primary market;
4. **reprofiling of SUN and/or SBSN that have been issued** by the Government and owned by BI to strengthen the Government's financial sustainability and BI's needs in monetary operations;
5. **coordination related to tax treatment** of BI's contribution to the Government for financing health care.

Accounting

1. Contributions paid by BI to the Government are r**ecognized and recorded by BI as part of BI's expenses.**
2. The contribution paid by BI to the Government is **a single transaction** that cannot be separated from the payment of interest/return on SUN and/or SBSN and recognized and recorded in accordance with the Government's accounting policies.

Term of SKB III

SKB III is effective from the date of stipulation until **December 31, 2022**

TYPES & CHARACTERISTICS OF GOVERNMENT SECURITIES (SBN) ISSUED BY THE GOVERNMENT IN SKB III

GS in **Rupiah denomination**

long term tenor with 5 years, 6 years, 7 years, 8 years

tradable and marketable

new GS series (new issuance) and/or **re-issuance** (reopening)

floating interest/yield rate (variable rate) with interest/yield rate adjustments made every 3 months

the interest rate/yield used as a **reference rate to determine the interest rate/yield on SBN is the 3-month Bank Indonesia Reverse Repo Interest Rate** based on the weighted average of the last auction

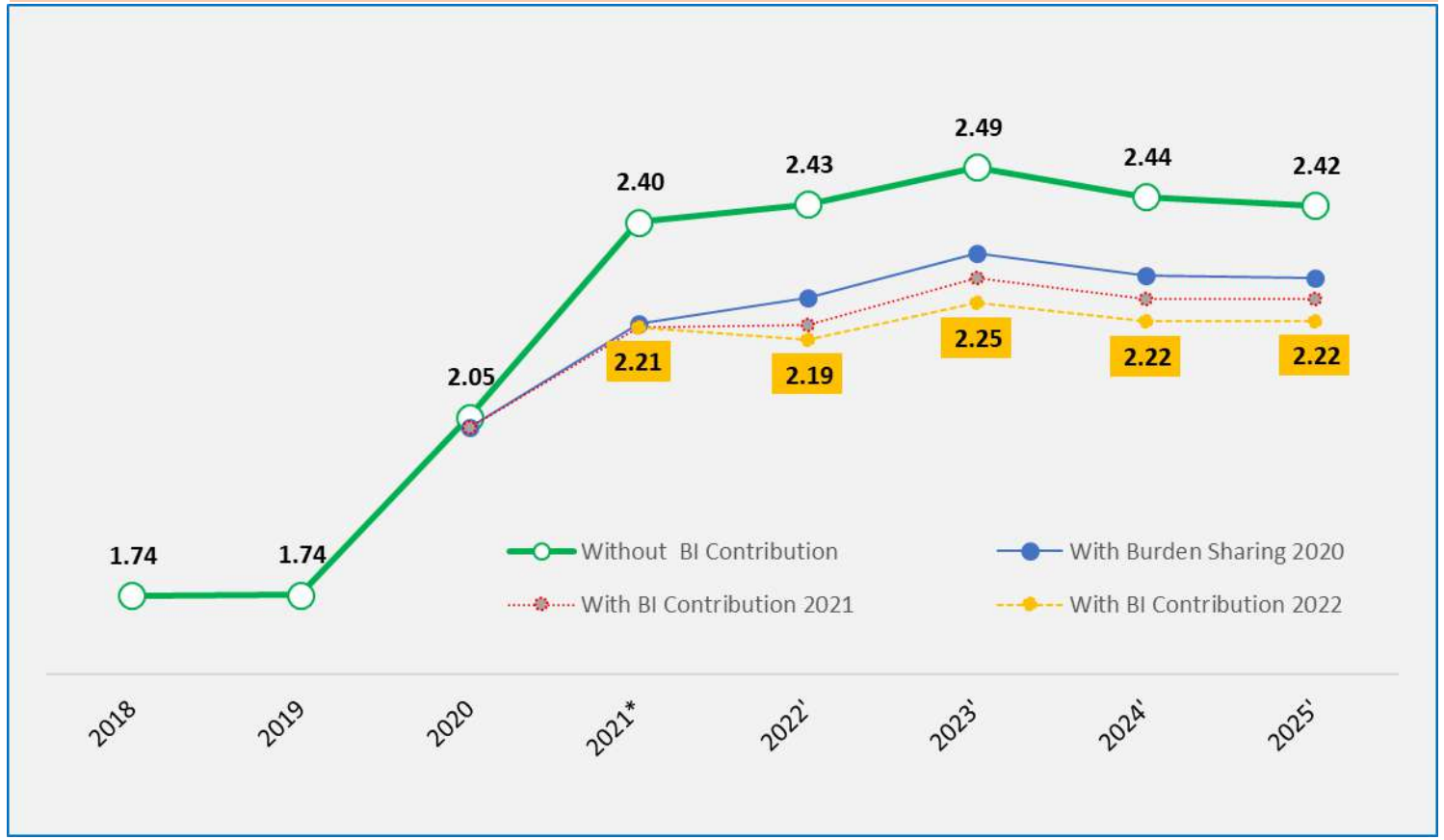
the method of purchasing GS and/or Sharia GS is through **Private Placement**

the amount of GS purchases by BI

APBN 2021	APBN 2022
Rp215T	Rp224T

MEDIUM-TERM IMPACT ON BUDGET: LOWER INTEREST RATIOS

Ratio of Interest Expenditures to GDP (%)



*2021 based on Outlook g:4,5%, '2022-2025 based on MTFF exercise with KUP

Higher debt level due to financing Covid-19 and economic recovery will have consequences in the form of an increase in interest payments.

- With BI's burden sharing in 2020, **further increases in debt interest payments can be suppressed.**
- Thus supports fiscal consolidation efforts in 2023

BI's contribution on SKB III for 2021 and 2022 provide additional fiscal space to support smooth fiscal consolidation as well as supporting fiscal sustainability and debt affordability

THANK YOU