




MINISTRY OF FINANCE
REPUBLIC INDONESIA

RECENT MACROECONOMIC AND FISCAL UPDATE

FISCAL POLICY AGENCY
MINISTRY OF FINANCE
September 2022



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MINISTRY OF FINANCE
REPUBLIC OF INDONESIA

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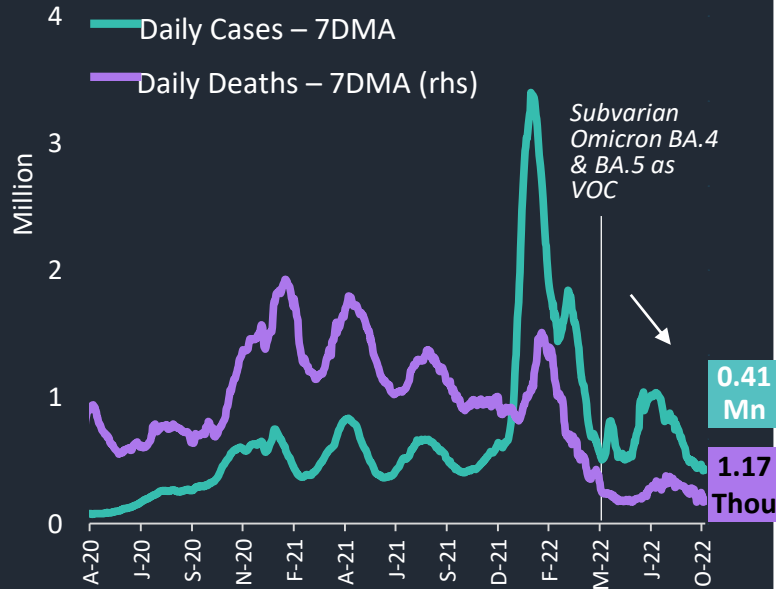
GLOBAL UPDATE & RISKS



COVID-19 CASES AND DEATHS ARE TRENDING DOWN

Vaccinations continues to become the key policy to improve pandemic situation

COVID-19 GLOBAL (5 October)



Cumulative Cases
624.89 mn
(226 countries)

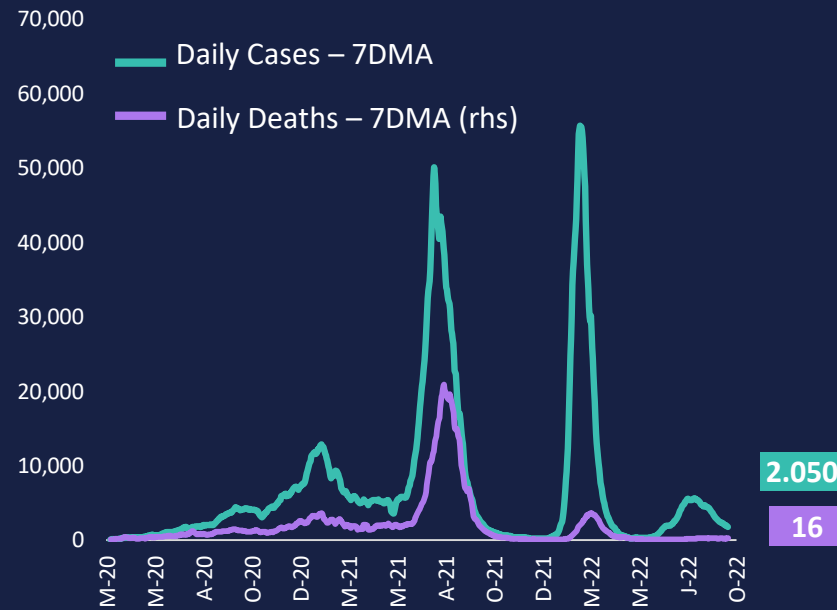
Cumulative Deaths
6.56 mn
(1.1%)

Recovered
604.68 mn
(96.8%)

Active Cases
13.65 mn
(2.1%)

Source: worldometers.info, processed

COVID-19 & VACCINATION IN INDONESIA (as of 5 October)



Cumulative Cases
6.43 mn

Cumulative Deaths
158,093
(2.5%)

Recovered
6.25 mn
(97.2%)

Active Cases
18,357
(0.3%)



Vax 1 **204.63 mn** (75.7% of population)

Vax 2 **171.25 mn** (63.4% of population)

Vax 3 **63.79 mn** (23.6% of population)

Vax 4 **0.63 mn** (0.23% of population)

Source: Indonesia's Ministry of Health, processed



THE RISKS HAS SHIFTED FROM PANDEMIC TO VARIOUS GLOBAL SHOCKS



**Persistent
High Global
Inflation**

**Liquidity
Tightening &
Interest Rates
Hike**



**Increasing
Risks of Food,
Energy, and
Financial Crisis**

**Increasing Risk
of Stagflation**



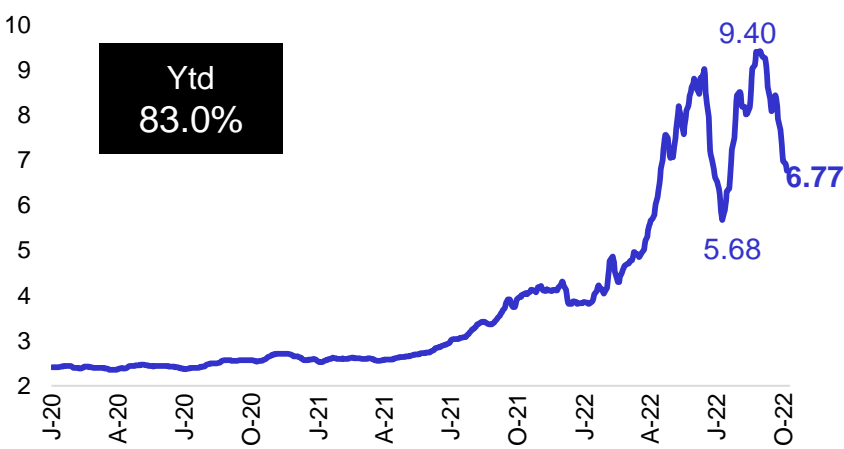
**Heightening
Geopolitical
Fragmentation**



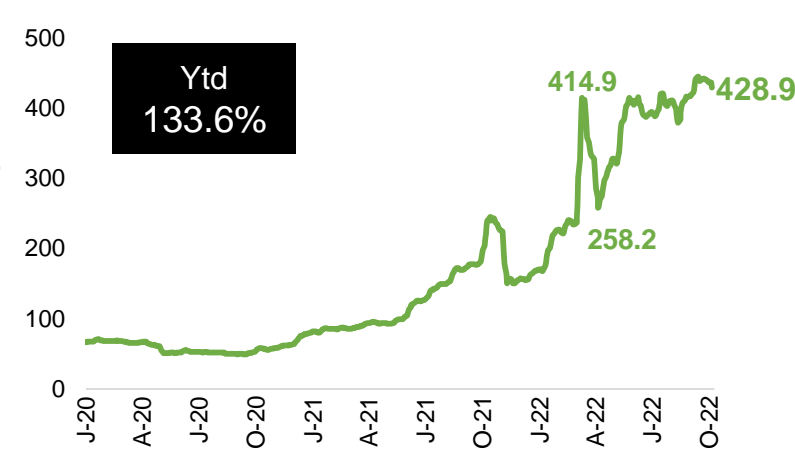
COMMODITY PRICES VOLATILITY SOARED SINCE THE WAR, SOME ARE AT STAGGERING LEVEL

Gas and coal prices have been consistently high since the pandemic began, worsened by heightening geopolitical tension in Europe (as of October 5th).

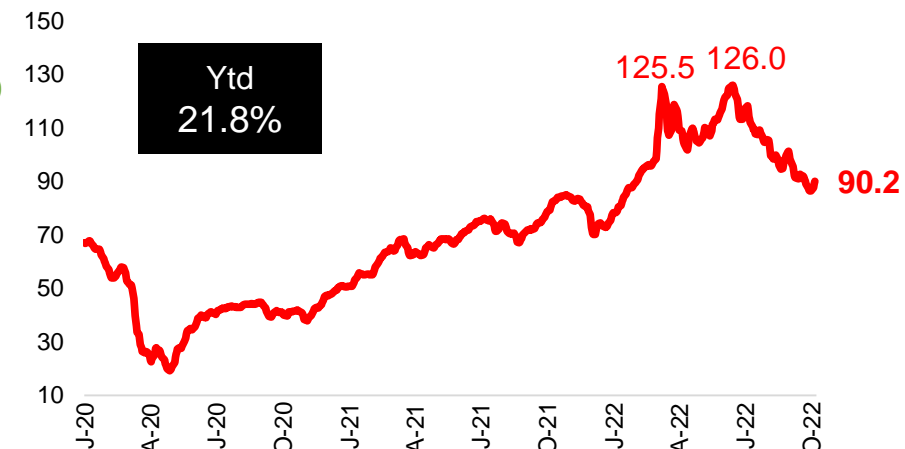
Natural Gas 5dma (US\$/MMBtu)



Coal 5dma (US\$/Metric Ton)



Brent 5dma (US\$/barrel)

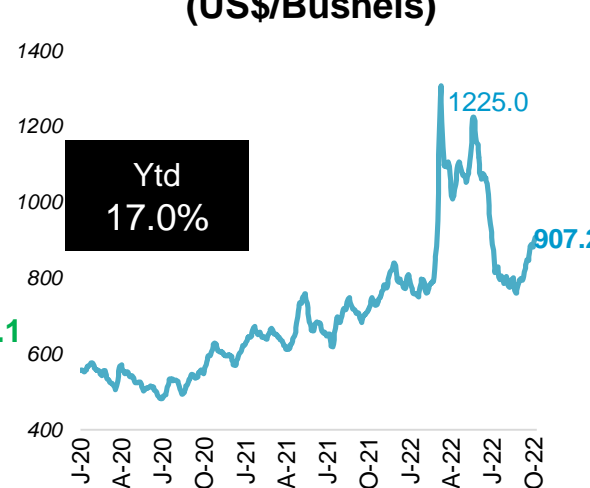


Food prices have been in rising trend again (except CPO), among others due to weather factor (as of October 5th).

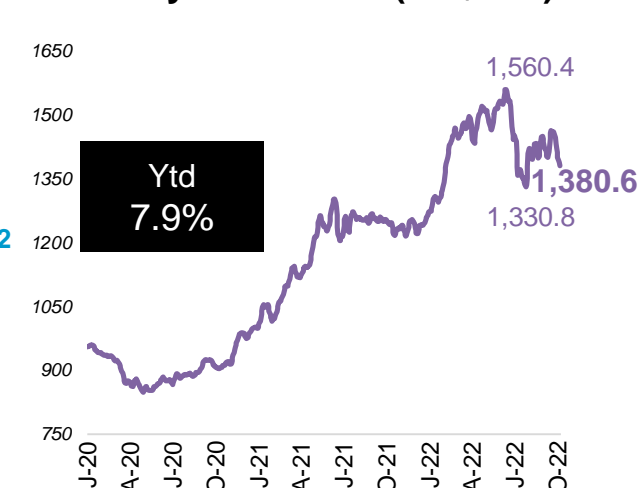
CPO 5dma (US\$/Ton)



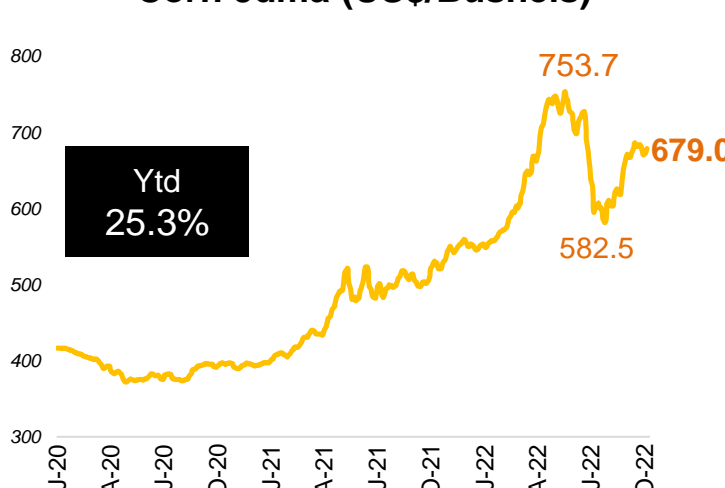
Wheat 5dma (US\$/Bushels)



Soybean 5dma (US\$/bu.)



Corn 5dma (US\$/Bushels)



Source: Bloomberg, UN, Reuters data as of 5 October 2022, processed

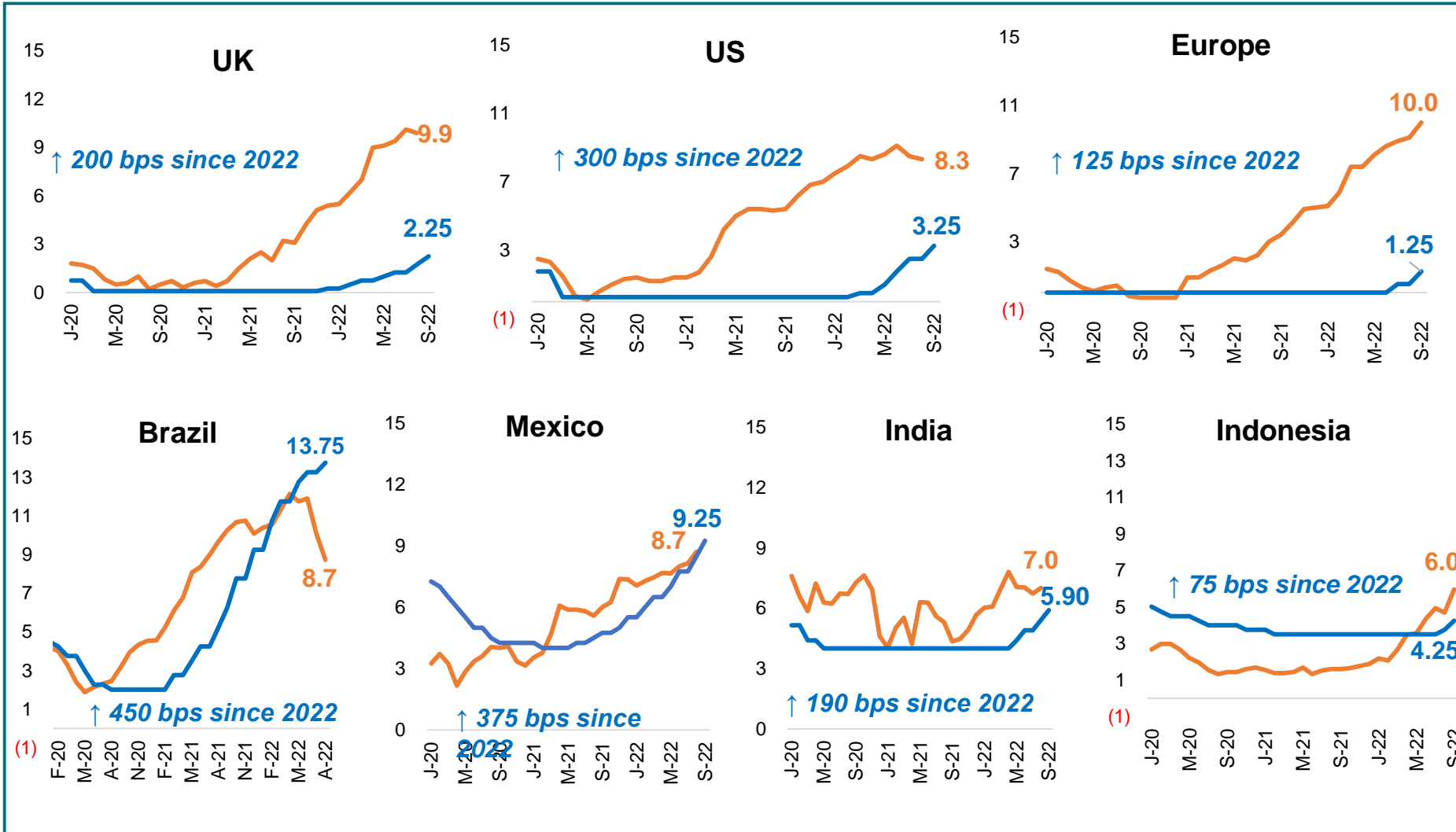


HIGH INFLATIONARY PRESSURES HAVE PROMPTED SHARP POLICY RATE HIKES IN MANY COUNTRIES

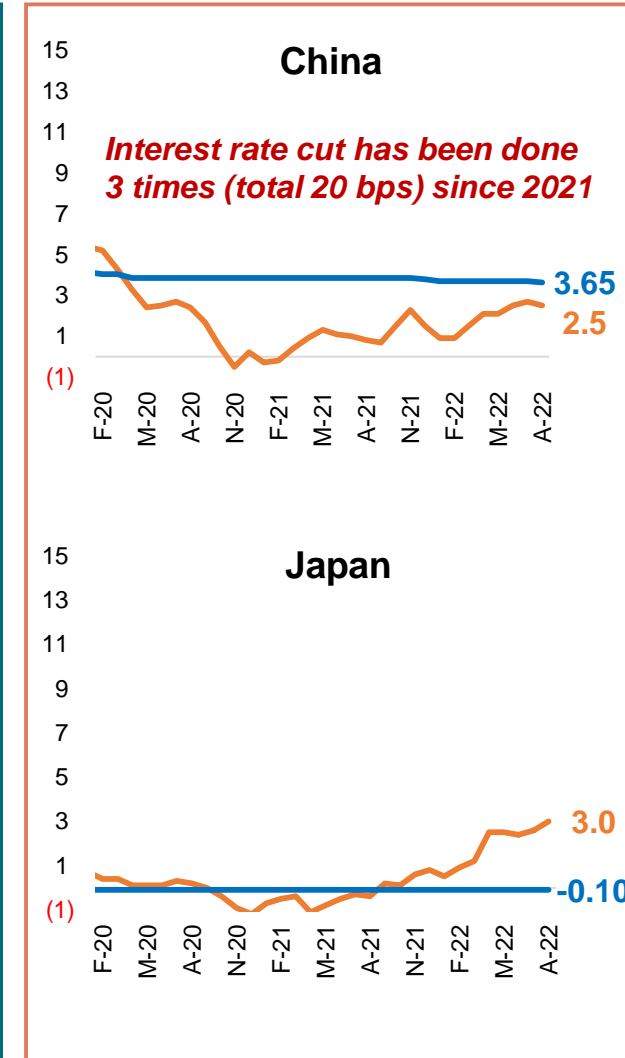
As a consequence, cost of fund is rising in tandem with tighter global liquidity condition

— Inflation Rate (%), — Interest Rate (%)

Several G20 countries that have increased their policy rates ...



... and those that haven't yet.

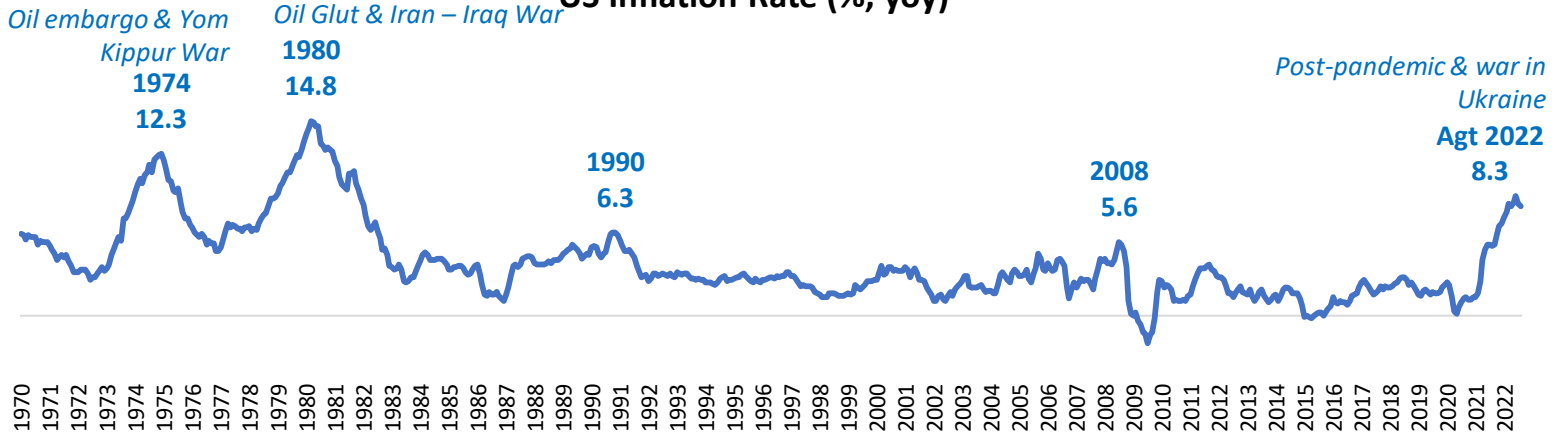




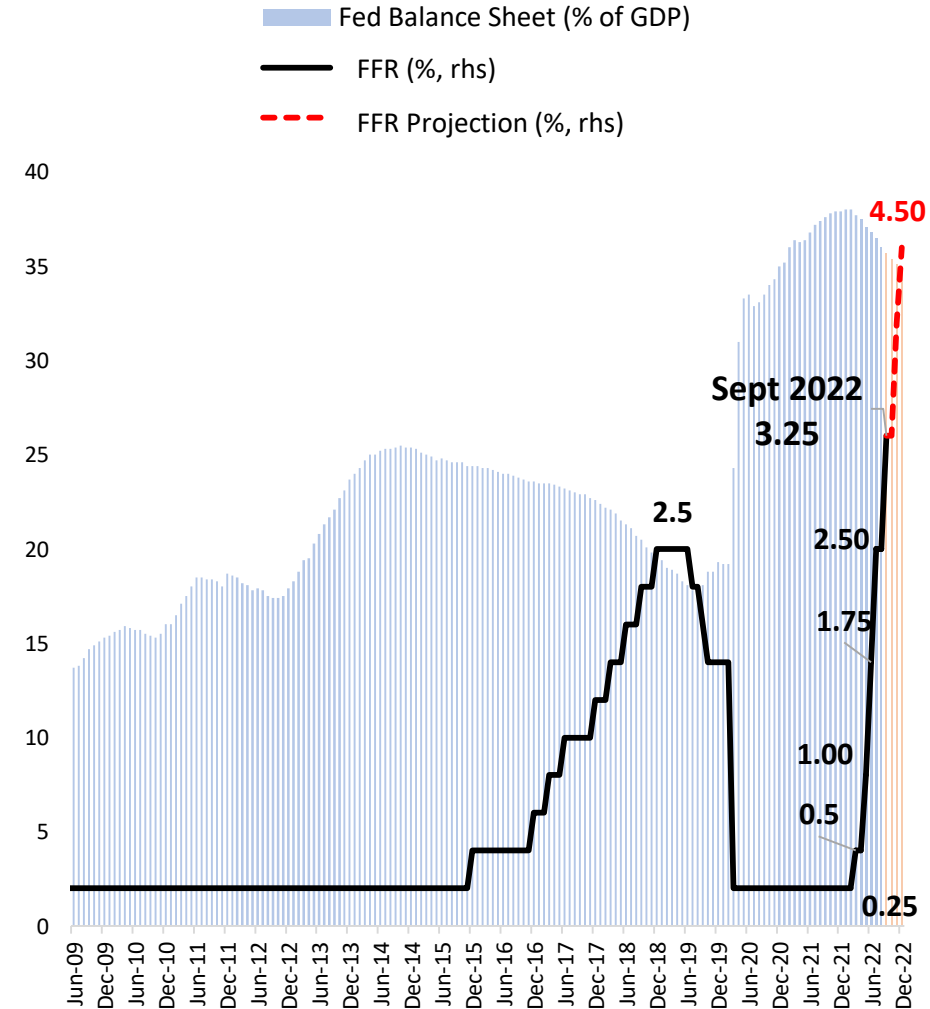
US' PERSISTENTLY HIGH INFLATIONARY PRESSURE HAS LED TO AGGRESSIVE POLICY RATE HIKES

Historically, significant US' monetary policy tightening would dampen economic growth performance

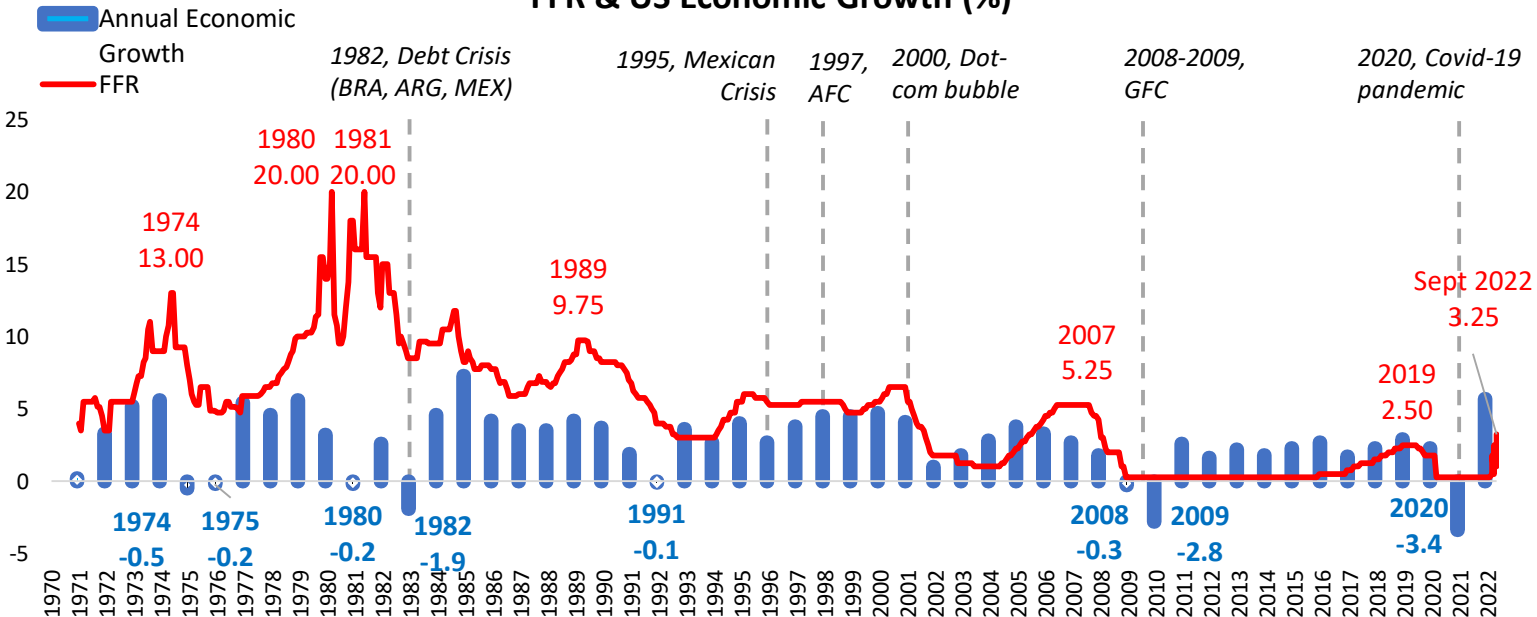
US Inflation Rate (% yoy)



Fed Funds Rate & FED Balance Sheet



FFR & US Economic Growth (%)



Sumber: Bloomberg, diolah

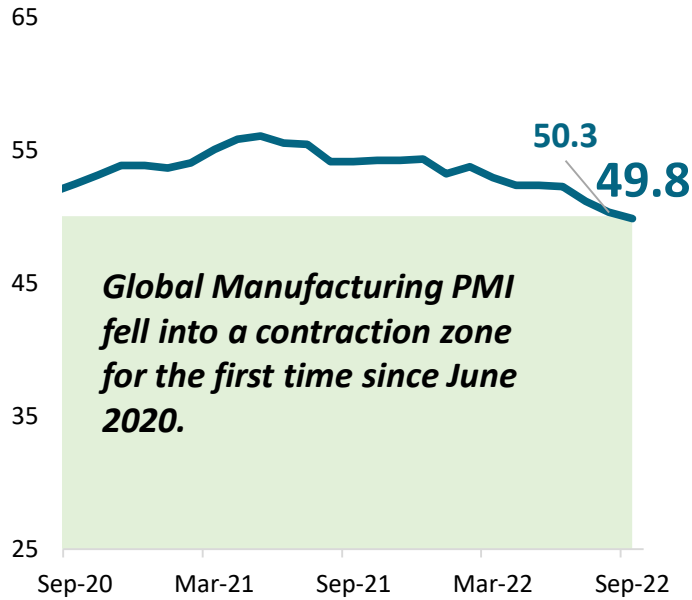


GLOBAL MANUFACTURING PMI IS CONTRACTING FOR THE FIRST TIME SINCE JUNE 2020

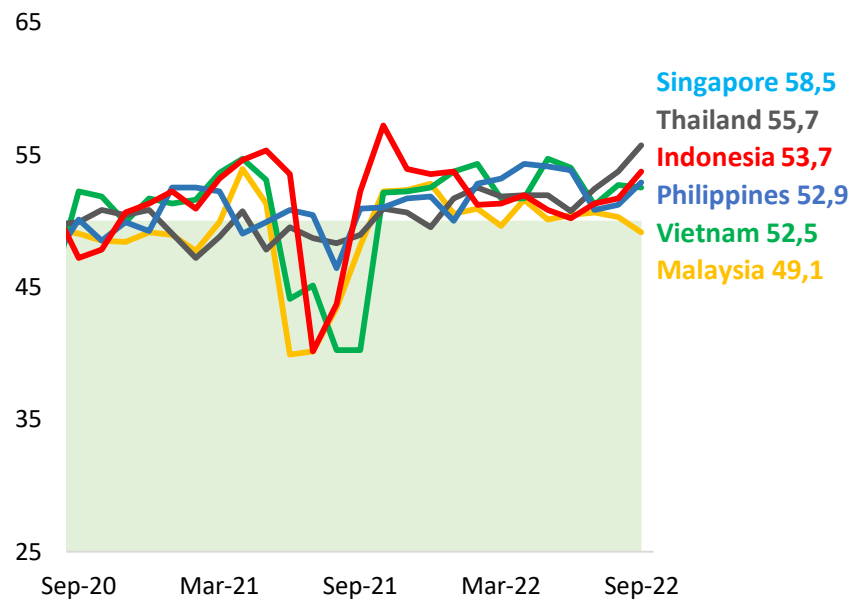
Manufacturing PMI in Indonesia remains accelerating amid contraction in major countries such as European countries, China, and South Korea

PMI MANUFACTURE AS OF SEPTEMBER 2022

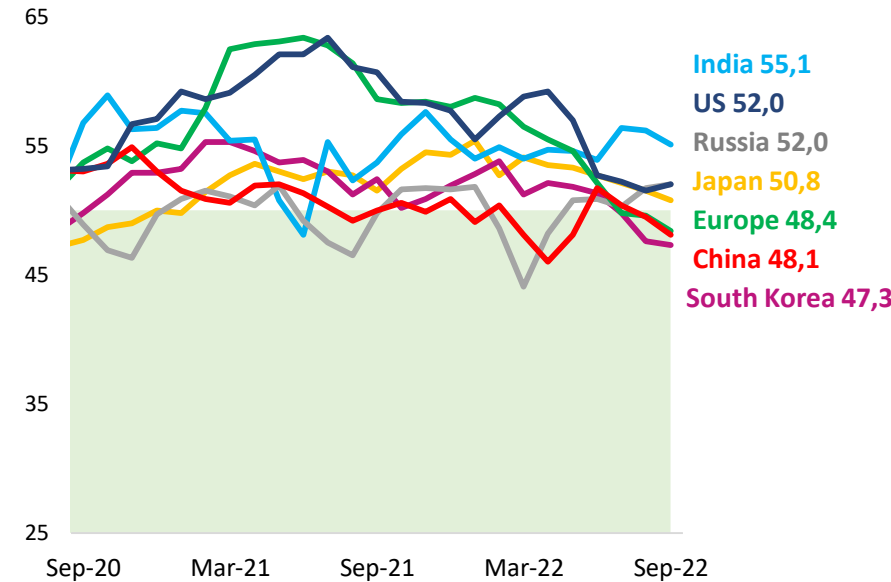
Global



ASEAN-5



Major Countries



Source: Bloomberg, IHS Markit

PMI Manufacture Performance for G20 and ASEAN-6 in September 2022

Accelerated
(in expansive zone & increasing from previous month)
26.1%
US, Indonesia, Thailand, Philippines, Singapore, Russia

Recovered
(upgrade from contraction zone in previous to month to expansive zone)
4.3%
Mexico

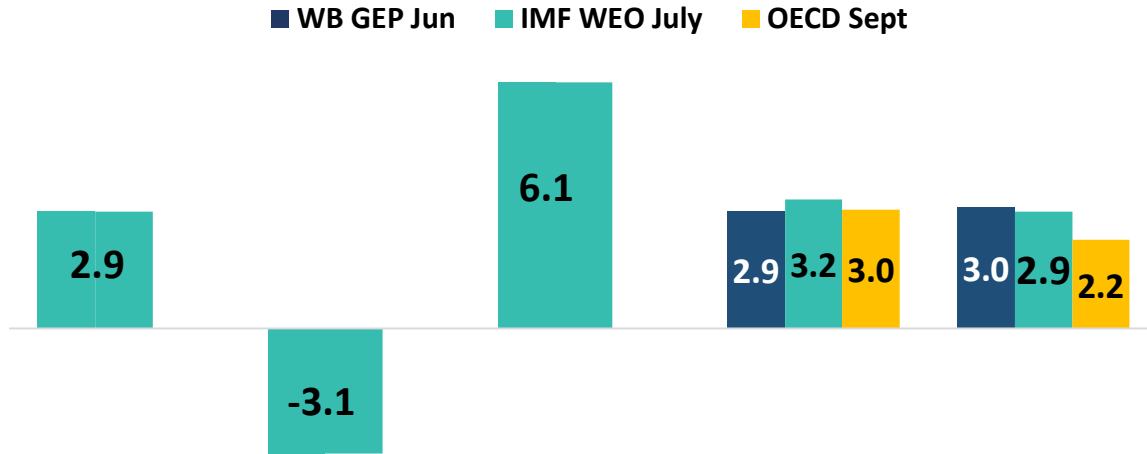
Decelerated
(in expansive zone, but slowed down from previous month)
21.7%
Japan, India, Vietnam, Brazil, Australia

Contracted
(in contraction zone)
47.8%
Euro Zone, Germany, Italy, Spain, UK, China, South Korea, Malaysia, Canada, Turkey



GLOBAL ECONOMIC OUTLOOK HAS BEEN GETTING GLOOMIER, WEIGHING DOWN BY BROAD MONETARY TIGHTENING AMIDST PERSISTENTLY HIGH INFLATIONARY PRESSURES

Global Economic Growth Projection IMF, % yoy



- **Global economic growth projection was revised down significantly.** The downward revisions were *broad-based*, including for major economies such as the US, China, and Europe.
- **Meanwhile, projection for global inflation was revised up** due to energy and food prices spike as well as persistent supply and demand mismatches post-War in Ukraine.
- **Downside risks significantly soared:** the war in Ukraine have worsened the supply shocks, high inflationary pressures became more persistent, global liquidity getting more tightened, China's economic slowdown gets deeper, geopolitical tensions potentially hamper global trade & multilateralism.

Various Countries Growth Projection by IMF, % yoy

Countries	2019	2020	2021	WEO IMF (July)	
				2022f	2023f
World	2.9	-3.1	6.1	3.2 ▼	2.9 ▼
Advanced Economies	1.7	-4.5	5.2	2.5 ▼	1.4 ▼
United States	2.3	-3.4	5.7	2.3 ▼	1.0 ▼
Europe Zone	1.6	-6.4	5.3	2.6 ▼	1.2 ▼
Australia	2.0	-2.1	4.8	3.8 ▼	2.2 ▼
Emerging Market	3.7	-2.0	6.8	3.6 ▼	3.9 ▼
China	6.0	2.2	8.1	3.3 ▼	4.6 ▼
Indonesia	5.0	-2.1	3.7	5.3 ▼	5.2 ▼
India	3.7	-6.6	8.9	7.4 ▼	6.1 ▼

IMF Inflation Projection 2022

Advanced Economies
6.6% (↑ 0.9 pp)

Emerging Market
9.5% (↑ 0.8 pp)

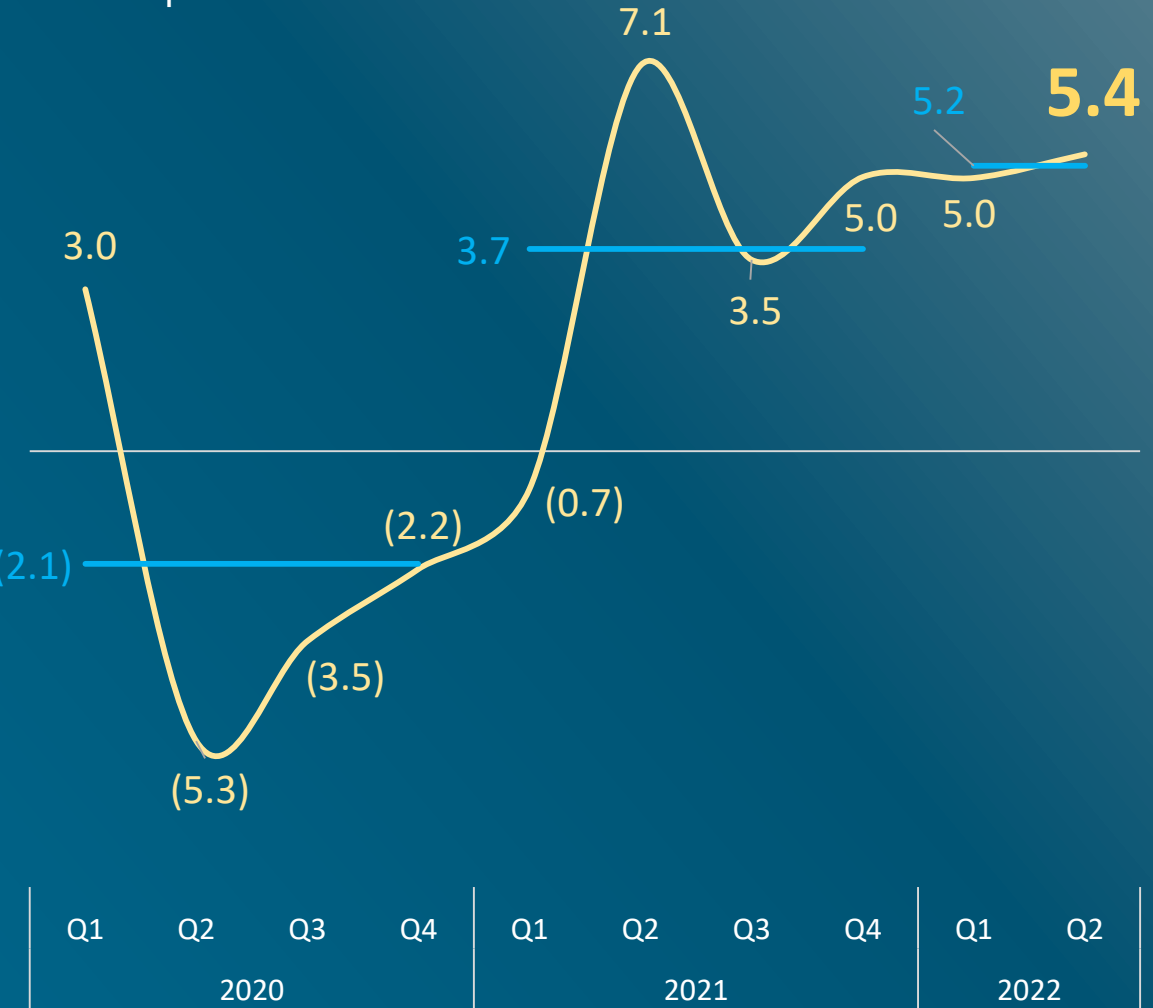


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2 DOMESTIC ECONOMIC UPDATE

INDONESIA'S ECONOMY CONTINUE TO RECOVER BEYOND MARKET EXPECTATIONS

Amid the dynamics of the global economy, the recovery performance continued and strengthened further in the second quarter of 2022



Source: Statistics Indonesia

- **Household consumption** increased rapidly during the month of Ramadan and Eid al-Fitr, reflected in the high growth in consumption of transportation and communications as well as restaurants and hotels.
- **Government consumption** contracted in line with the decline in spending for handling the pandemic (medical devices, medicines, and patient care).
- **Investment** grew positively in line with the well-maintained sustainability of the expansion of the business world.
- **Exports** recorded high growth in line with the demand for superior national commodities and manufactured products.
- **From the production side**, high commodity prices have catalyzed strong growth in the mining and agriculture sectors. The expansion of the manufacturing and trade sectors continued to be stable, in line with improvements in production capacity and domestic demand.

Share (% GDP)	Expenditure	2020					2021					2022	
		Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2
54.4	HH Cons.	2.8	-5.5	-4.0	-3.6	-2.6	-2.2	6.0	1.0	3.6	2.0	4.3	5.5
9.1	Gov. Cons.	3.8	-6.9	9.8	1.8	2.0	2.5	8.1	0.6	5.2	4.2	-7.6	-5.2
30.8	Investment	1.7	-8.6	-6.5	-6.2	-5.0	-0.2	7.5	3.8	4.5	3.8	4.1	3.1
21.6	Export	0.2	-12.4	-13.0	-6.9	-8.1	6.9	31.5	29.2	29.8	24.0	16.7	19.7
(18.9)	Import	-5.4	-20.7	-24.5	-15.8	-16.7	4.4	31.8	29.9	29.6	23.3	15.9	12.3
	GDP	3.0	-5.3	-3.5	-2.2	-2.1	-0.7	7.1	3.5	5.0	3.7	5.0	5.4

THE KEY SECTORS CONTINUED TO STRENGTHEN, THE HARDEST HIT SECTORS STARTED TO RECOVER

The easing of mobility and increasing community activities during the Eid al-Fitr moment have encouraged the strengthening of various production sectors, while increases in commodity prices have had different impacts on various production sectors.

The mining sector has continued to strength, supported by rising commodity prices and increased demand as a result of the conflict in Europe

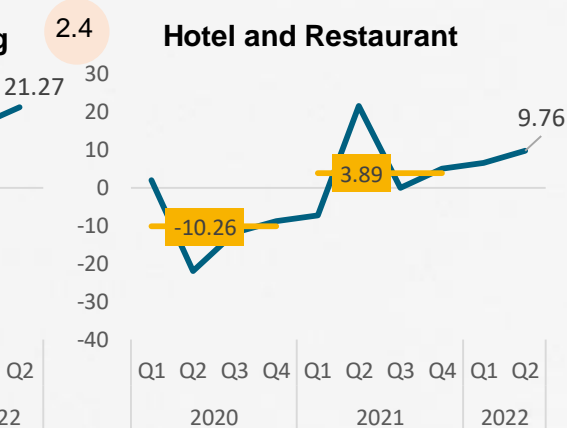
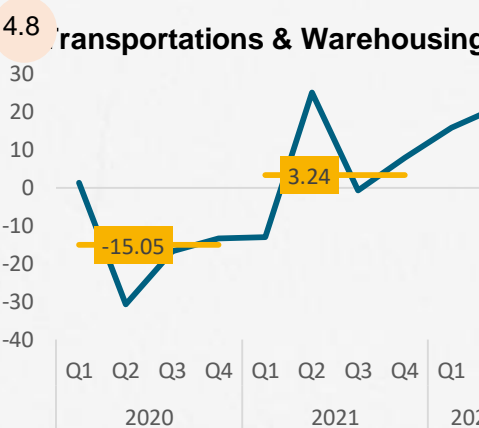
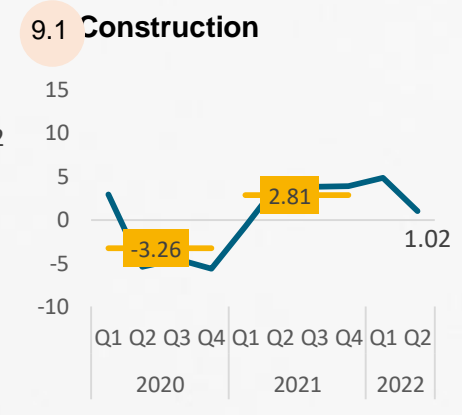
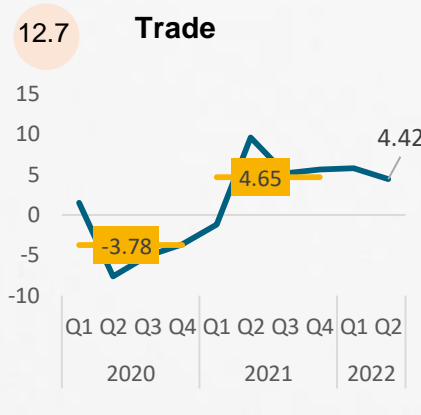
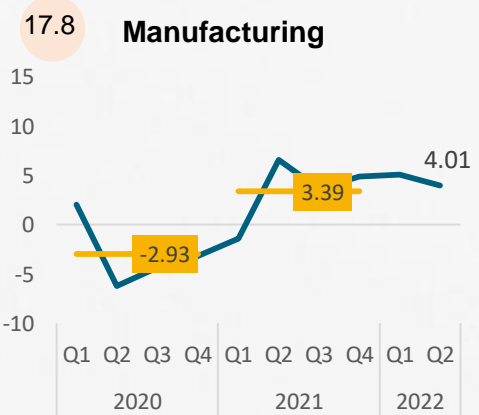
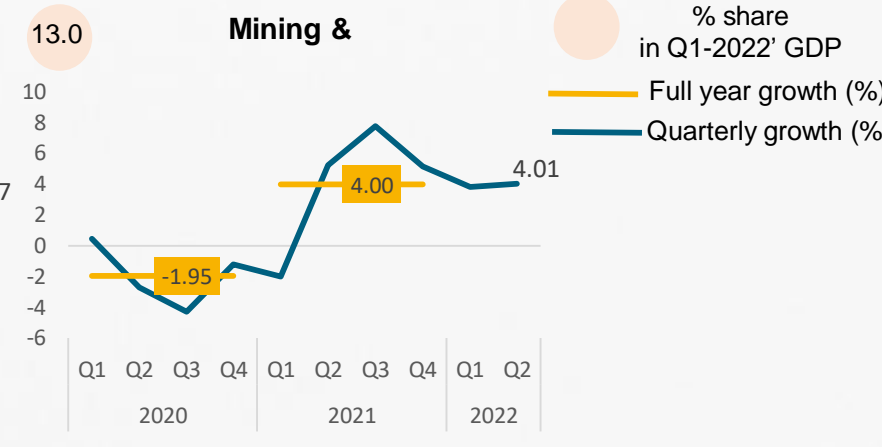
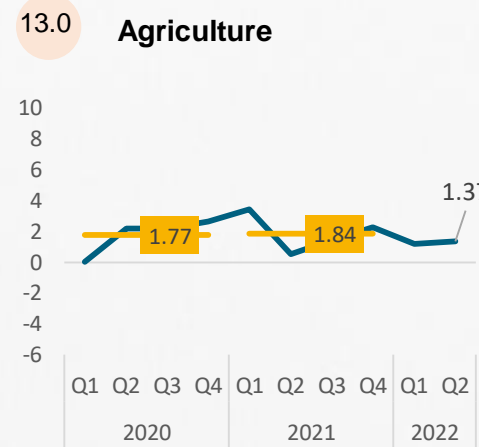
The manufacturing sector as the largest contributor grew stronger, supported by increased demand in the textile industry

The trade sector grew lower due to a relatively high base effect in the same quarter in 2021 as a policy of the impact of VAT incentives on car sales

Construction sector grew slower due to high commodity prices which led to a decline in cement consumption, as well as low investment realization

The transportation & warehousing sector as well as hotel and restaurant has increased in line with the increase in mobility during the moments of Ramadan and Eid

Source: Statistics Indonesia



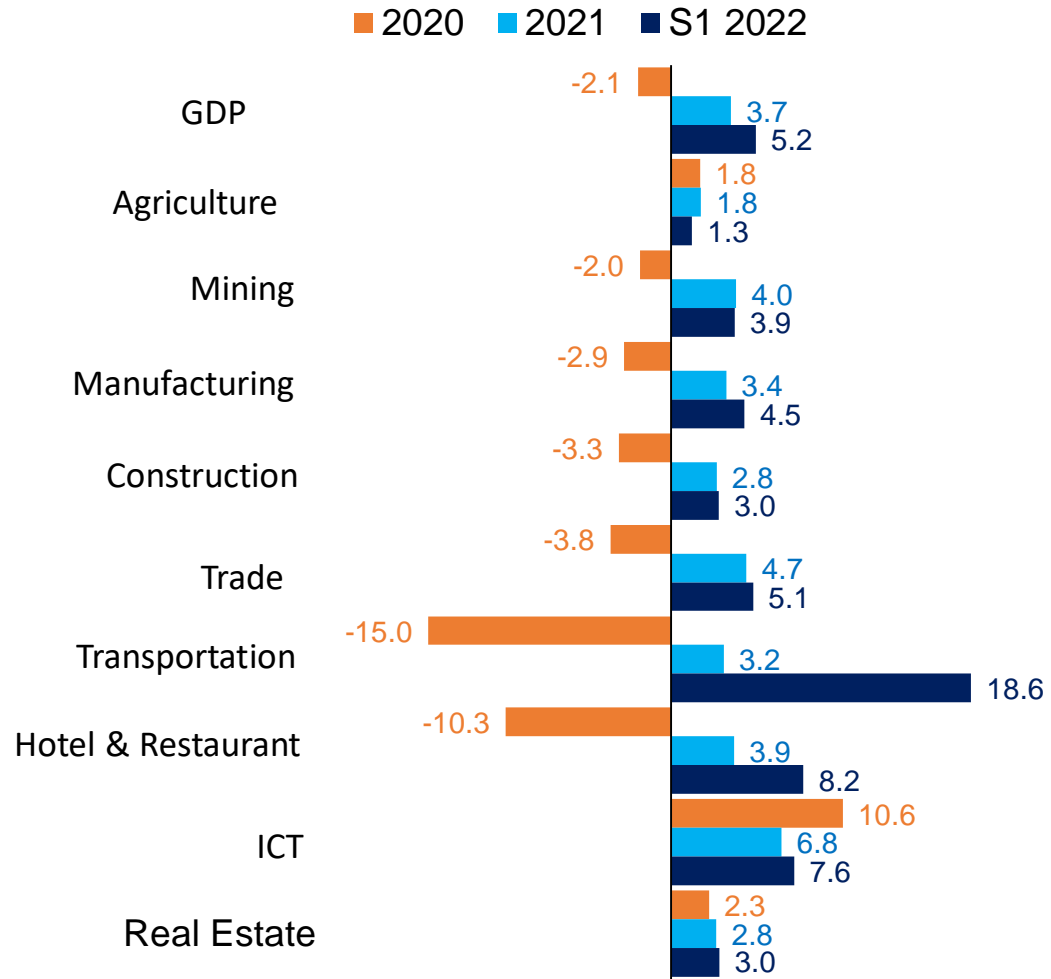


BROAD-BASED ECONOMIC RECOVERY, THE TRANSPORTATION AND ACCOMMODATION SECTOR CONTINUES TO STRENGTHEN

Leading sectors are already growing above pre-pandemic levels

RECOVERY TREND: THE PRODUCTION SIDE

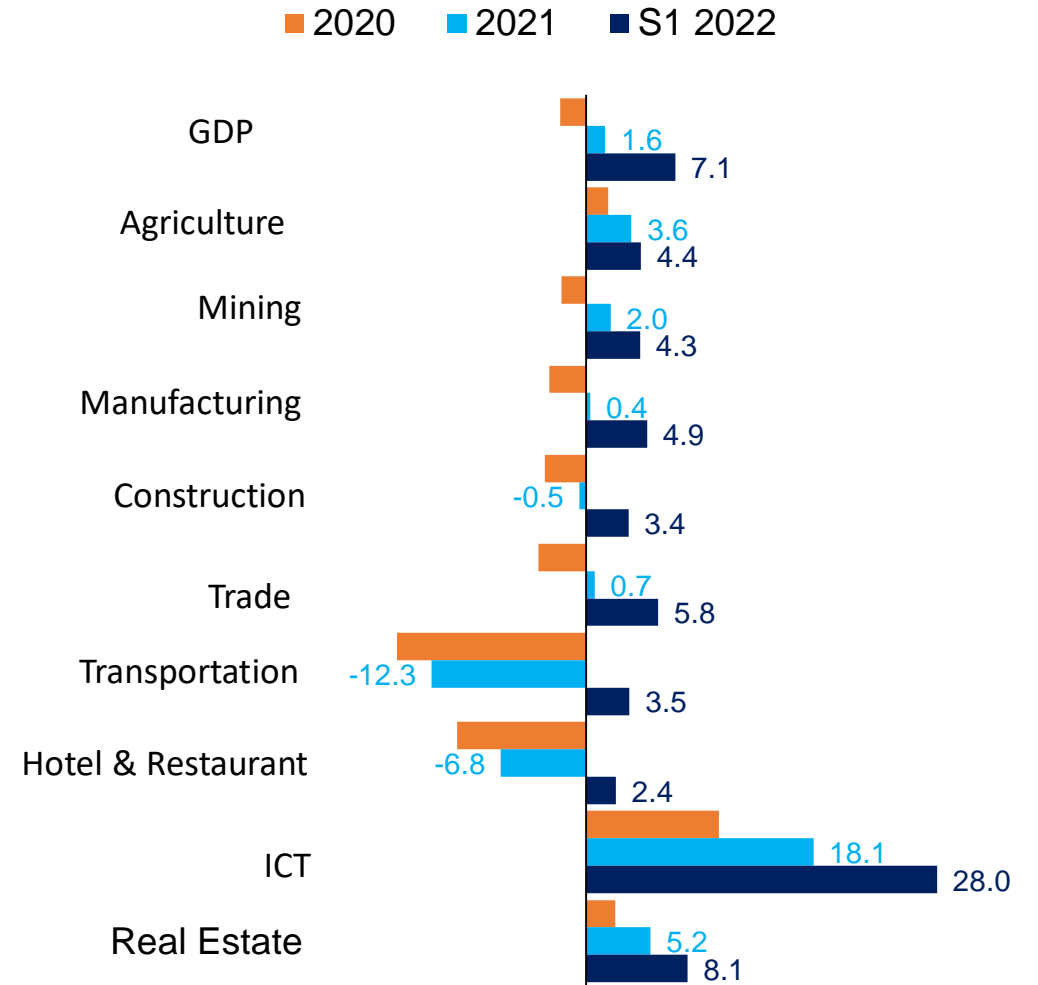
(%, YOY)



Source: Indonesia Statistics, processed

RECOVERY TREND: THE PRODUCTION SIDE

(% GDP level vs 2019)

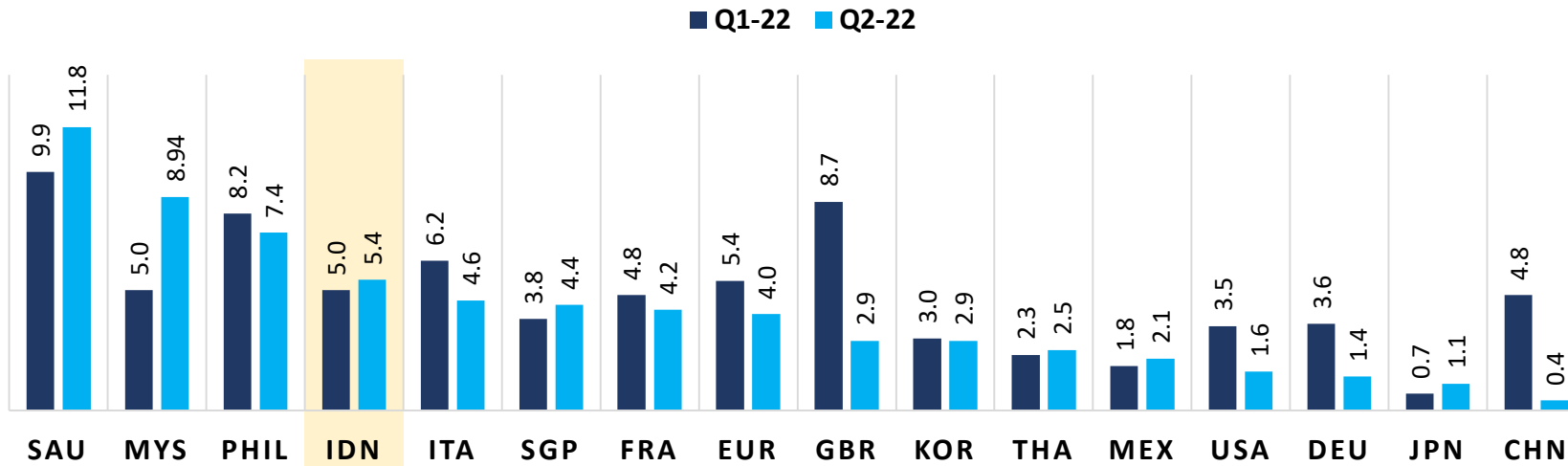


*Semi-annual growth compared to average 2019 levels



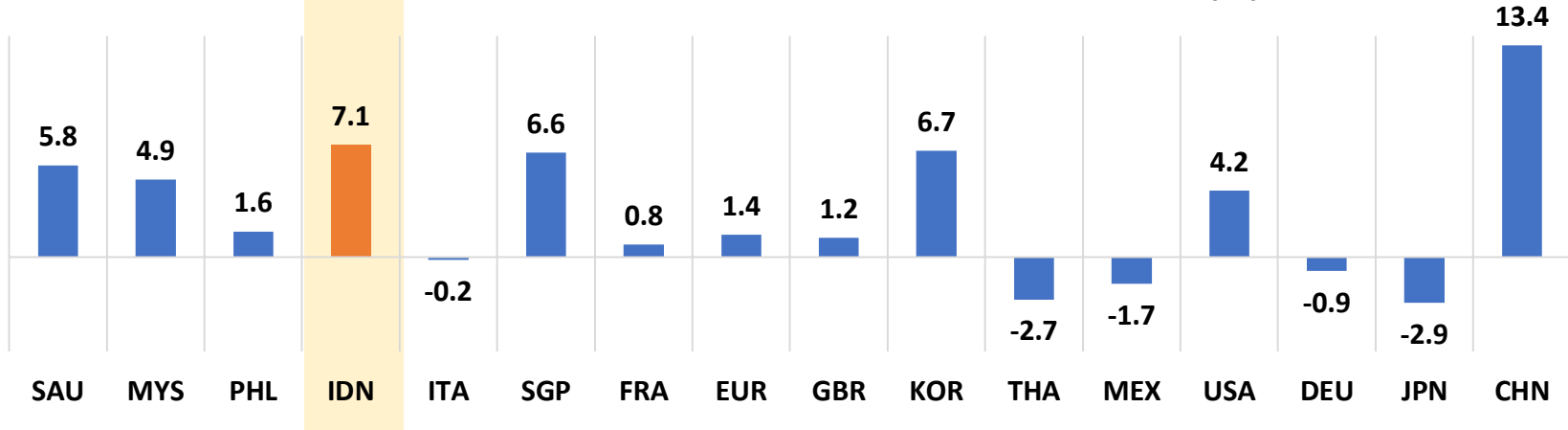
INDONESIA'S ECONOMY IS STILL STRONG AMID SLUGGISH ECONOMIC TRENDS IN VARIOUS COUNTRIES IN Q2 2022

Q2 2022 Economic Growth in G20 and ASEAN-5 Countries (% yoy)



- Q2 2022 economic growth experienced a slowing trend in most countries. On a qoq basis, the US even recorded a contraction in the 2nd quarter of 2022.
- The slowdown was caused by various factors, such as the Ukraine war and the energy crisis in Europe, the decline in investment in the US, as well as the zero-COVID policy & property crisis in China.
- Indonesia's Q2 2022 economic growth strengthened amid the global crisis and uncertainty, supported by consumption and export performance.

Real GDP Levels Semester-I 2022 to Semester-I 2019 (%)



- Compared to pre-pandemic levels, the countries' real GDP in Semester I 2022 shows diversity. The Real GDP of China, Indonesia, Singapore, Korea and Singapore is much stronger than before the pandemic.
- On the other hand, economic performance in many European countries is still struggling to control output levels before the pandemic

Source: Bloomberg, tradingeconomics as of 15 Augustus 2022



INFLATION IN SEPTEMBER 2022 ROSE, BUT REMAIN REALTIVELY MODEST COMPARED TO PEERS

INDONESIA'S INFLATION

5.95%
(yoy)

1.17%
(mtm)

4.84%
(ytd)

percentage,
yoy

14.0

12.0

10.0

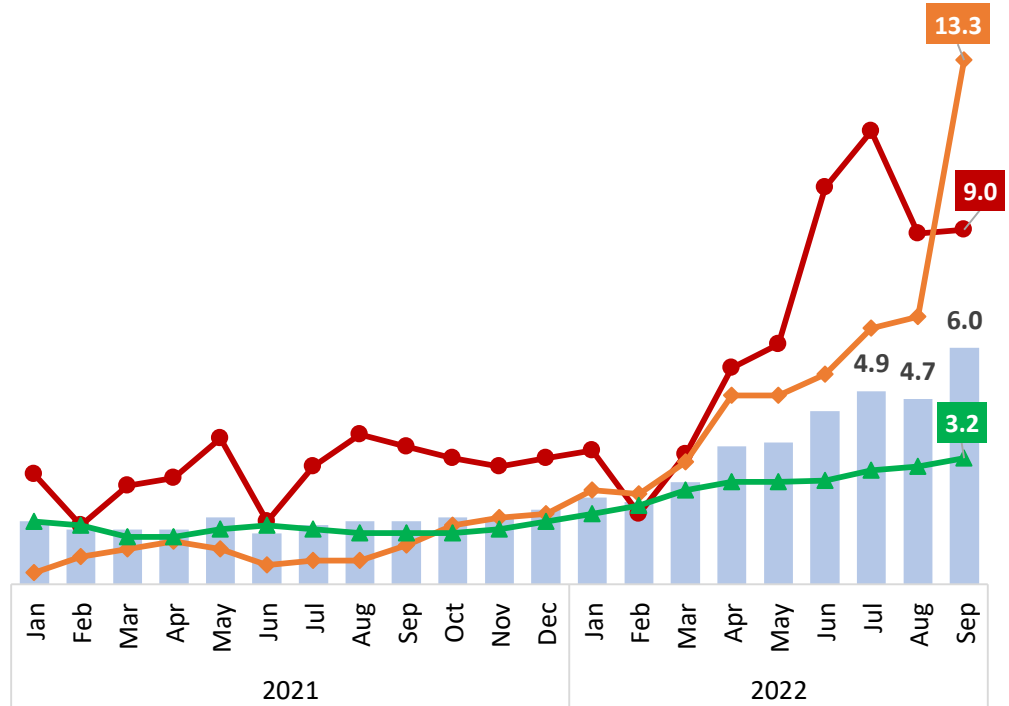
8.0

6.0

4.0

2.0

0.0



Core Inflation

Administered Price

Volatile Food

3.21%

13.28%

9.02%

Tuition Fee
Drinking Water

Gold Jewelry

Fuels, Gas,
Transportation tariff

Air Freight Fares

Eggs, Rice

Shallot, Chili, Cayenne
Pepper, Cooking oils
Chicken, other vegetables

Weight
65.4%

Weight
18.1%

Weight
16.5%

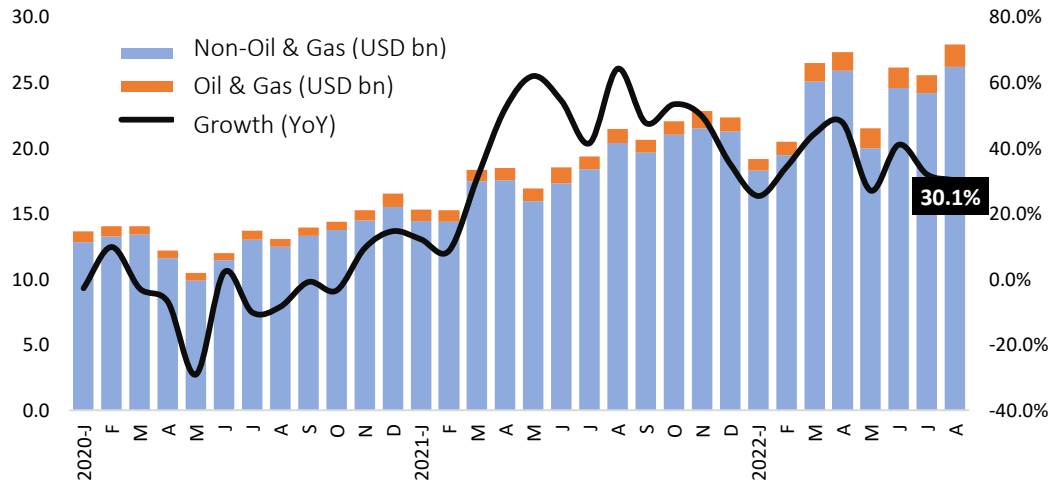
Source: Statistics Indonesia

TRADE BALANCE CONTINUED TO RECORD SURPLUSES

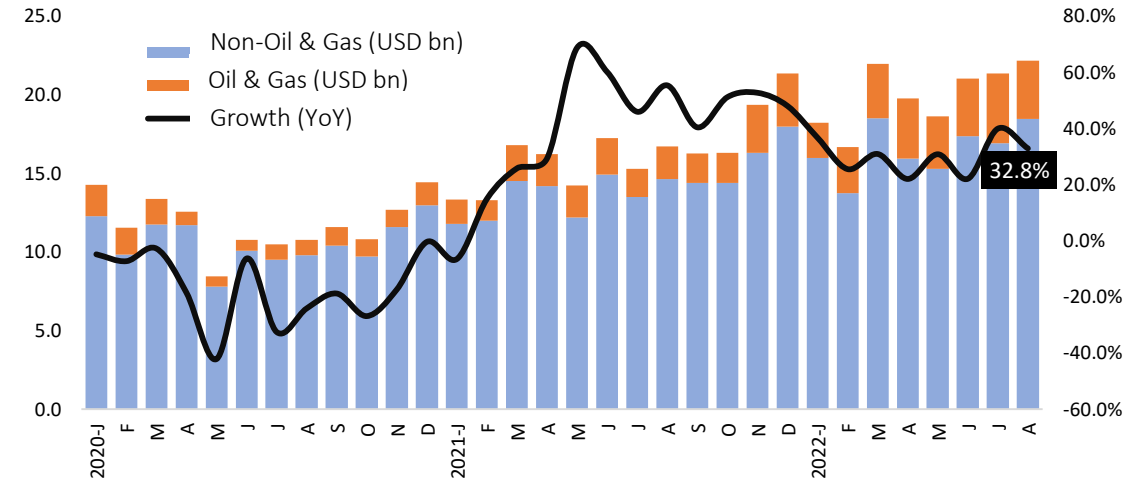


Export and import performance continues to grow positively in the midst of global economic pressure

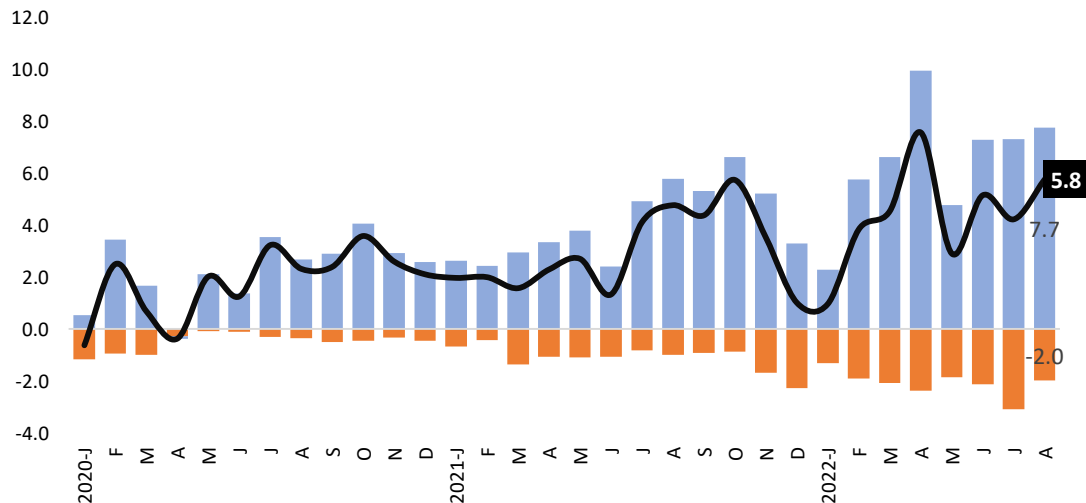
Exports



Impor Indonesia



Trade Balance (USD bn)

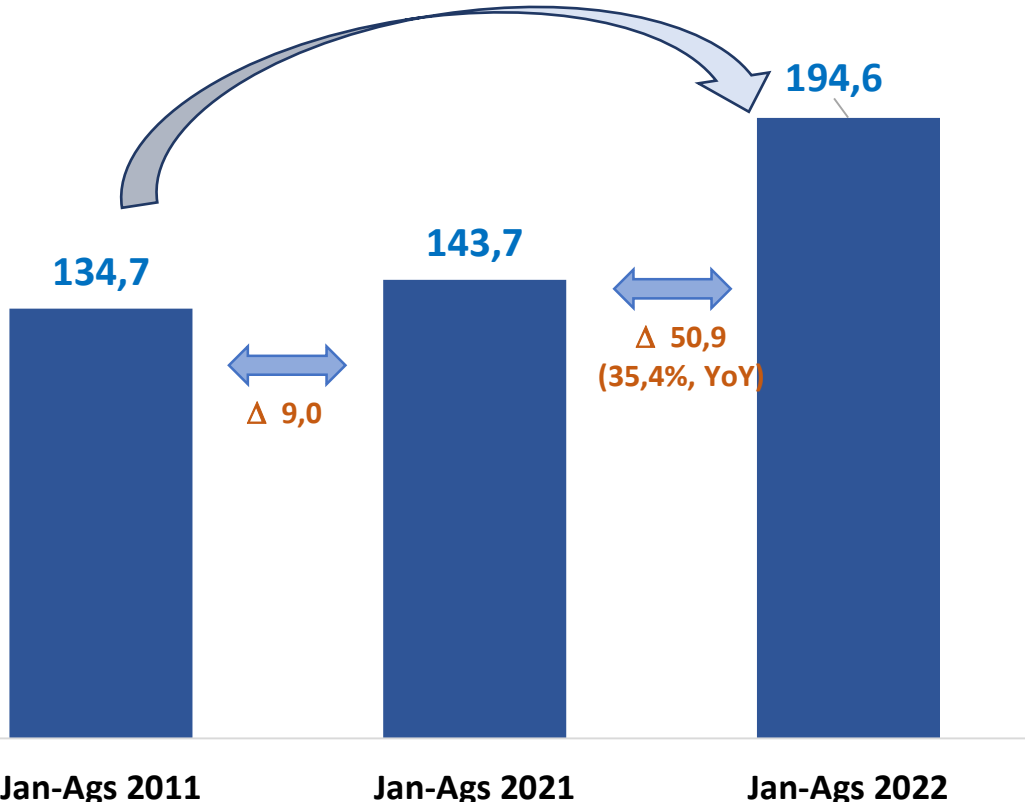


- In August 2022, Exports reached USD27.97 billion, and Imports reached USD22.15 billion.
- Exports still recorded a solid performance, increasing monthly (mtm) and yearly (yoy) by 9.17% and 30.15%, respectively.
- Meanwhile, imports reflecting much improved economic recovery and activities also still grew strongly by 3.77% (mtm) and 32.18% (yoy). The increase in imports was supported by the continued rise in Indonesia's Manufacturing PMI.
- The trade balance in August 2022 recorded a surplus of USD5.75 billion, continued the surplus trend for 28 consecutive months.

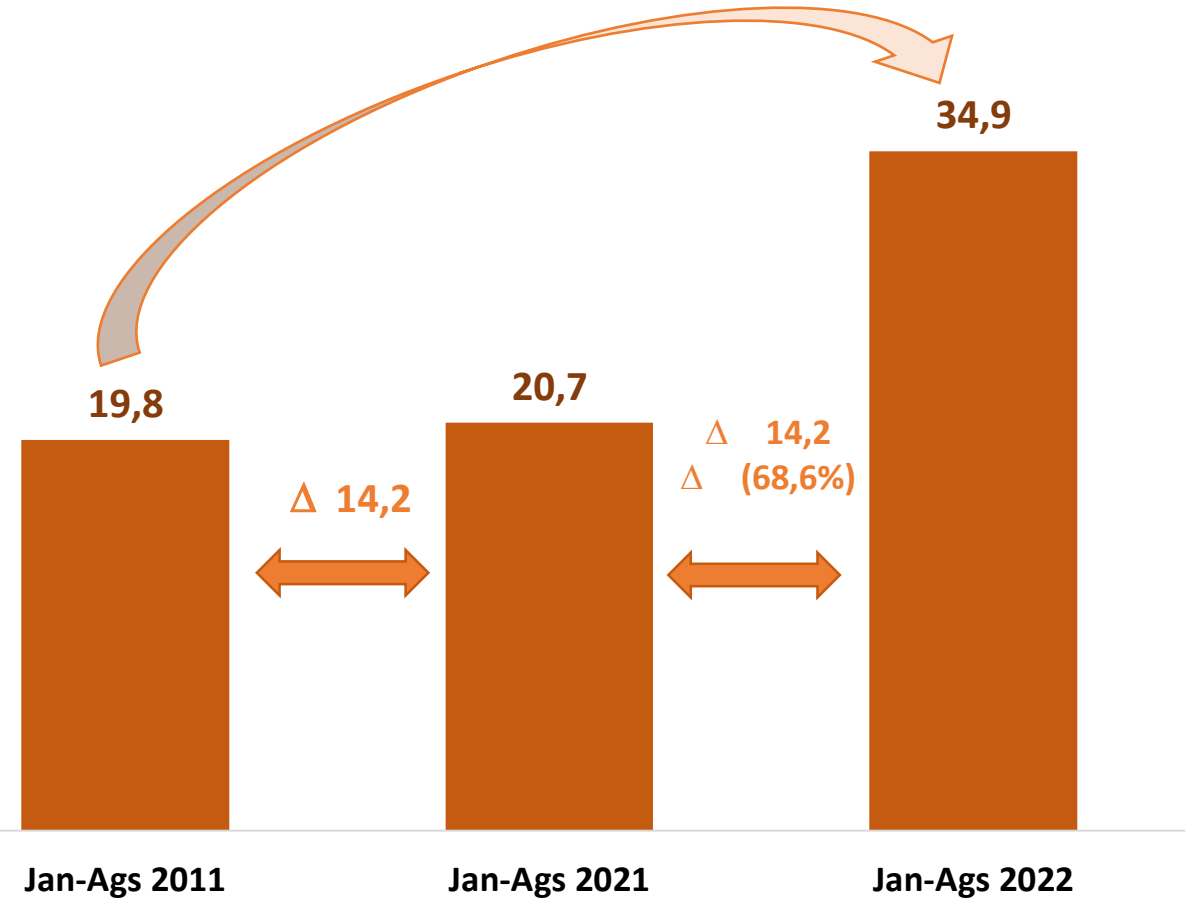
EXPORT AND TRADE BALANCE POSTED A RECORD HIGH IN HISTORY

High commodity prices and downstreaming strategy has boost export performance

Export in Two Different Boom Episodes (USD bn)



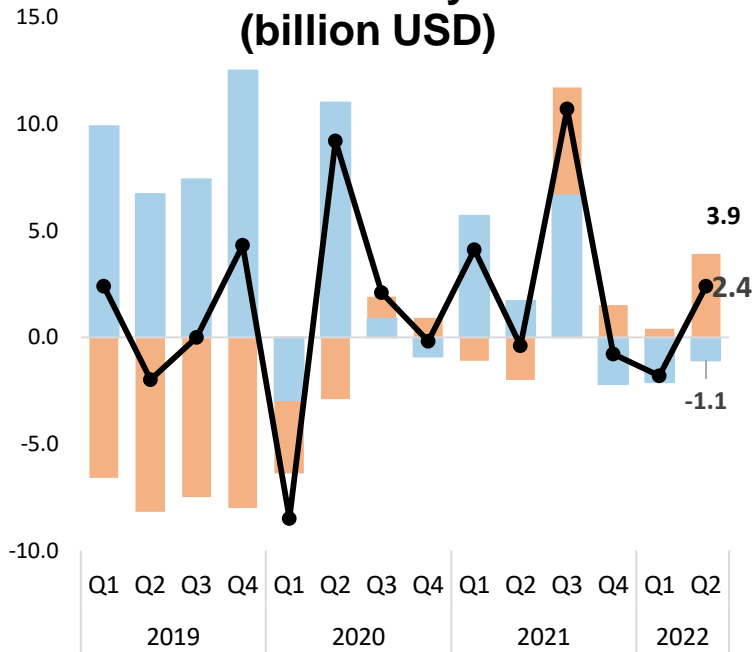
Trade Balance in Two Different Boom Episodes (USD bn)





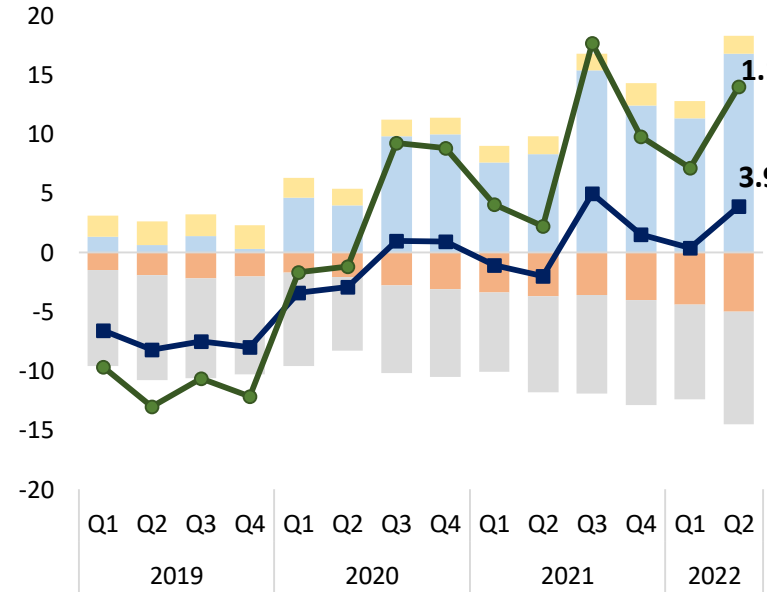
EXTERNAL POSITION STRENGTHEN WITH CONTINUED SURPLUS IN CURRENT ACCOUNT

Balance of Payment (billion USD)



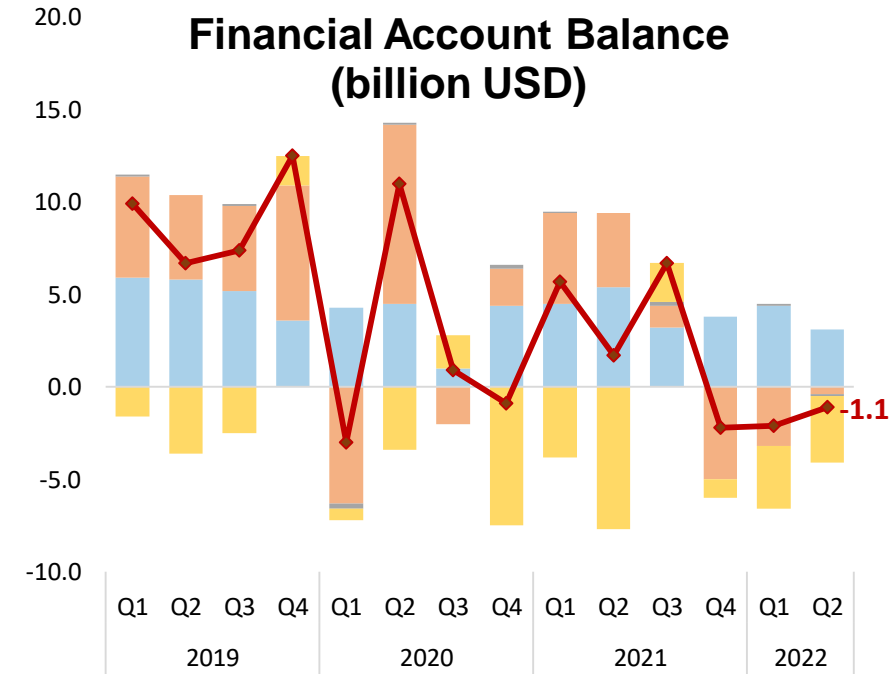
- Current Account
- Capital & Financial Account
- Overall Balance

Current Account Balance (billion USD)



- Secondary Income
- Primary Income
- Services
- Goods
- Current Account
- Current Account (% of GDP) - RHS

Financial Account Balance (billion USD)



- Direct Investment
- Financial Derivatives
- Portfolio Investment
- Other Investment
- Capital & Financial Account

Balance of Payments (BOP) in the Q2-2022 2022 remained solid, bolstering external resilience

Source: Bank Indonesia

Current account surplus kept on recording a surplus, primarily driven by substantial goods trade surplus

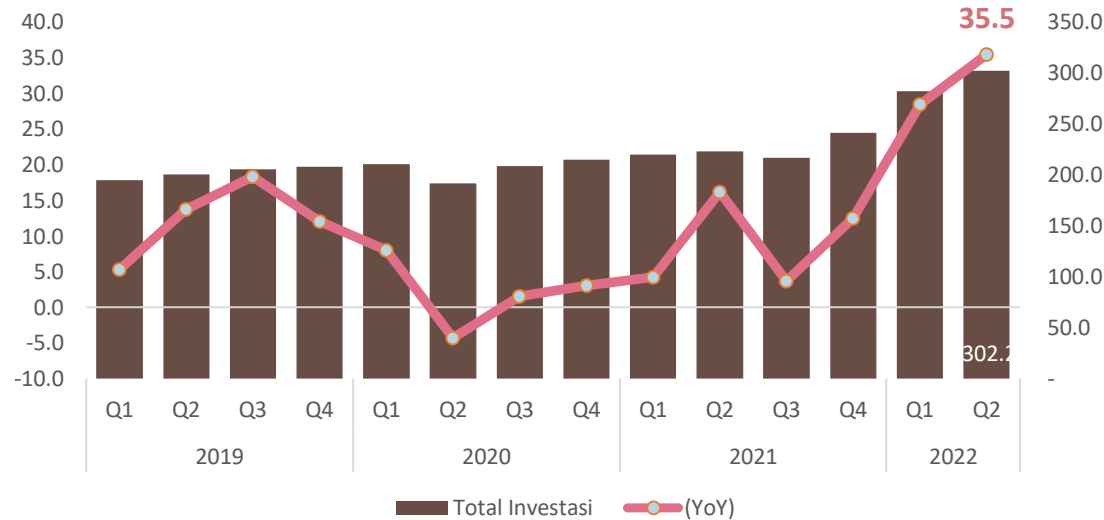
Despite global pressures, capital and financial account remains relatively stable, supported by strong FDI inflow

FDI CONTINUED TO STRENGTHEN IN Q2 2022, GROWING AT 35.5% (YOY)



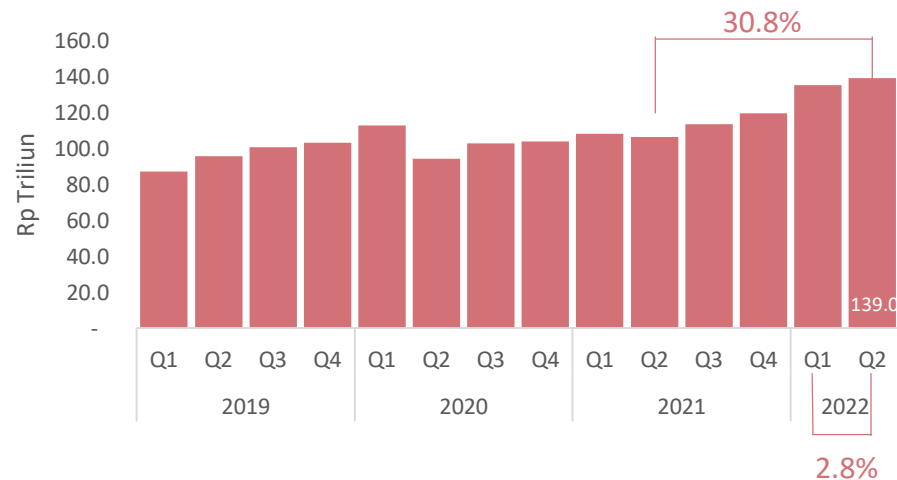
The highest growth rate since 2016

Direct Investment Realization

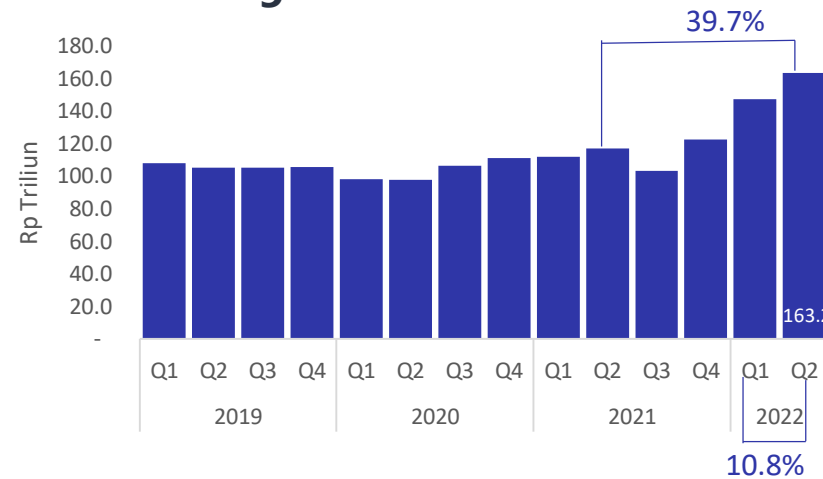


- Realization of direct investment in Q2 2022 was IDR 302.2 T (cumulatively until June reached IDR 584.6 T), reached 48.7% of the President's target for 2022 of IDR 1,200 trillion
- In the midst of global pressure challenges, Foreign Direct Investment continues to grow strongly.
- Foreign and domestic investment were able to grow double digits from last year's realization supported by investor confidence in political stability, improved legal processes and transparency, and accelerated investment services.

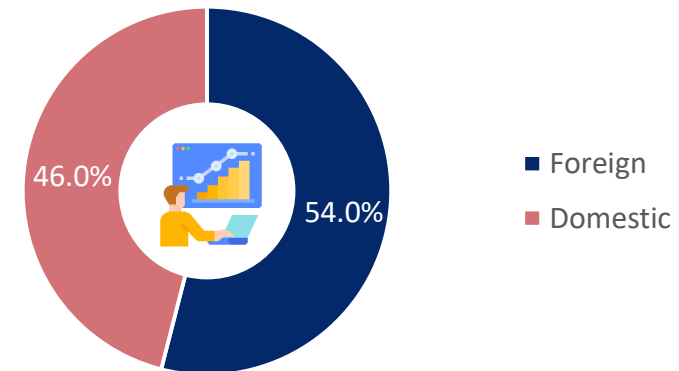
Domestic Direct Investment



Foreign Direct Investment



Direct Investment Proportion

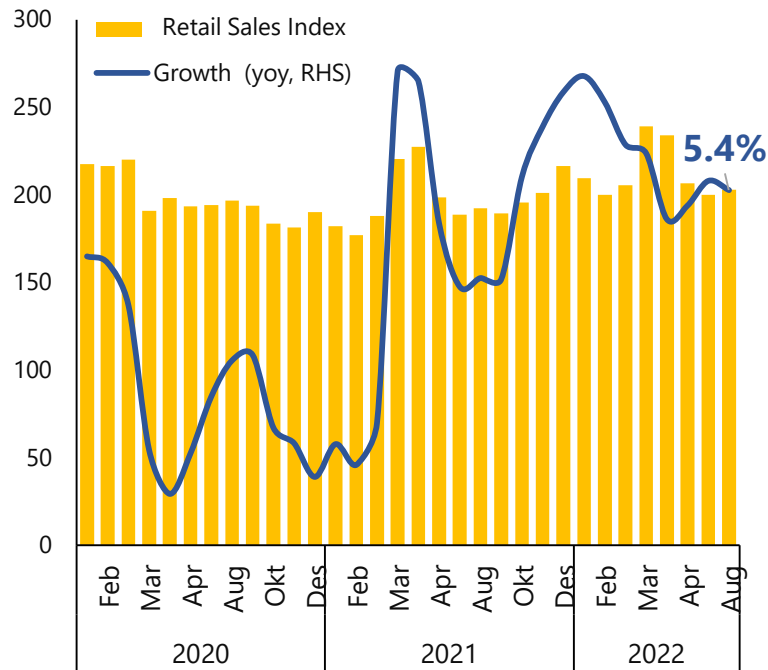




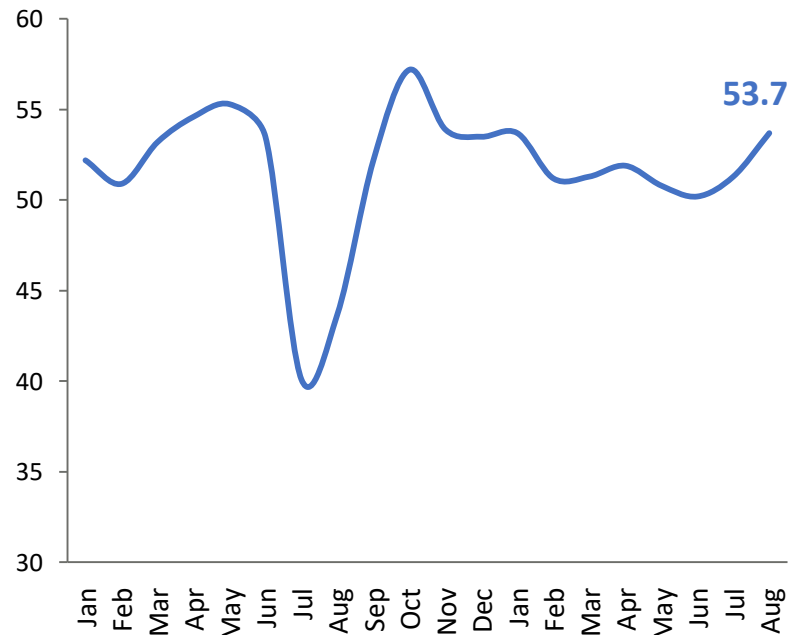
THE NEAR-TERM GROWTH PROSPECT REMAINS RELATIVELY STRONG

Several leading indicators, both consumption and production side, show an upward trend

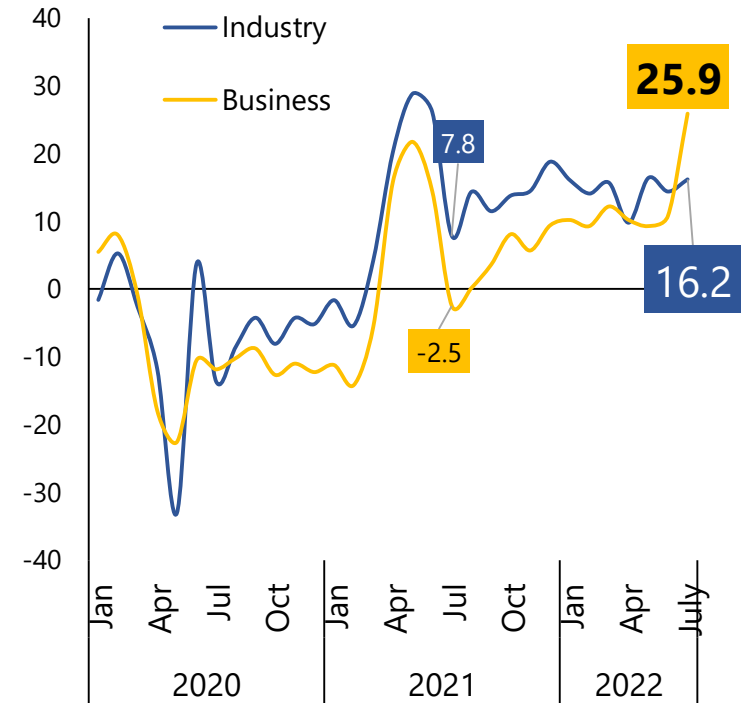
Retail Sales Index continues to strengthen, in line with public optimism and mobility



Indonesia's manufacturing PMI is at an expansionary level for twelve consecutive months



High growth (% yoy) of **electricity consumption** in productive activities



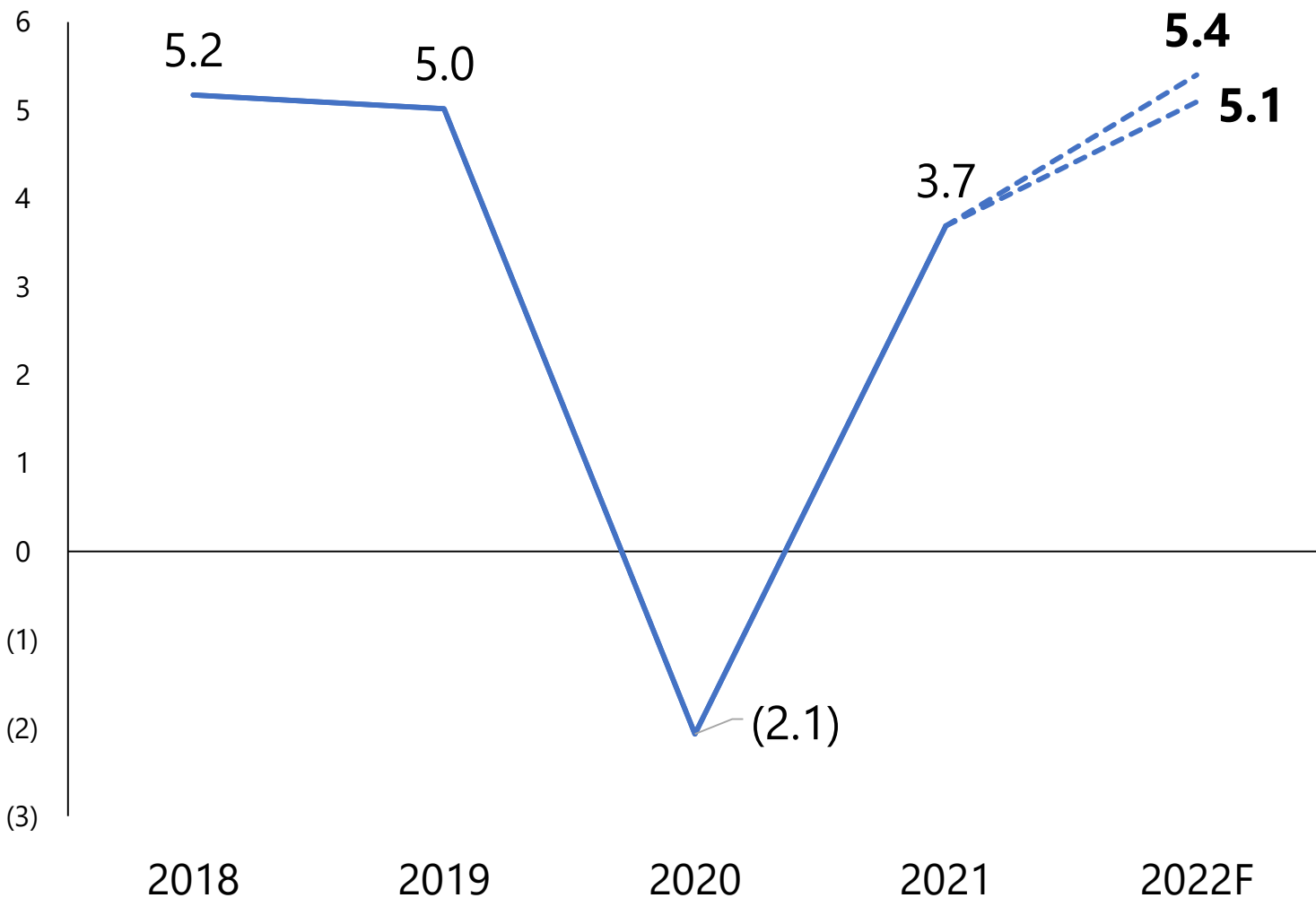


2022 ECONOMIC GROWTH WILL REMAIN STRONG

Household consumption and export play a significant role in boosting the economy



Aligned with ADB's projection, we expect the economy to continue the strong recovery trend and grow higher in 2022



- Learning from the experience of 2011-12 commodity boom, **economic trajectory will capitalize on the commodity supercycle plus ongoing reform agenda**
- Consumption growth will continue its recovery trend, supporting the economic growth

	2020	2021	2022F
HH consumption	(2.6)	2.0	5.1 – 5.4

- Strong export performance will also bolster economic growth
- The leading indicators until August still show the consistency of economic recovery:
 - PMI improved from 51.3 in July to 51.7 in August
 - Electricity consumption by industries and businesses in August grew quite strongly by 11.2% and 24.1%, respectively.
 - Real sales index in August grew by 5.4%
 - August's export level broke the historical record



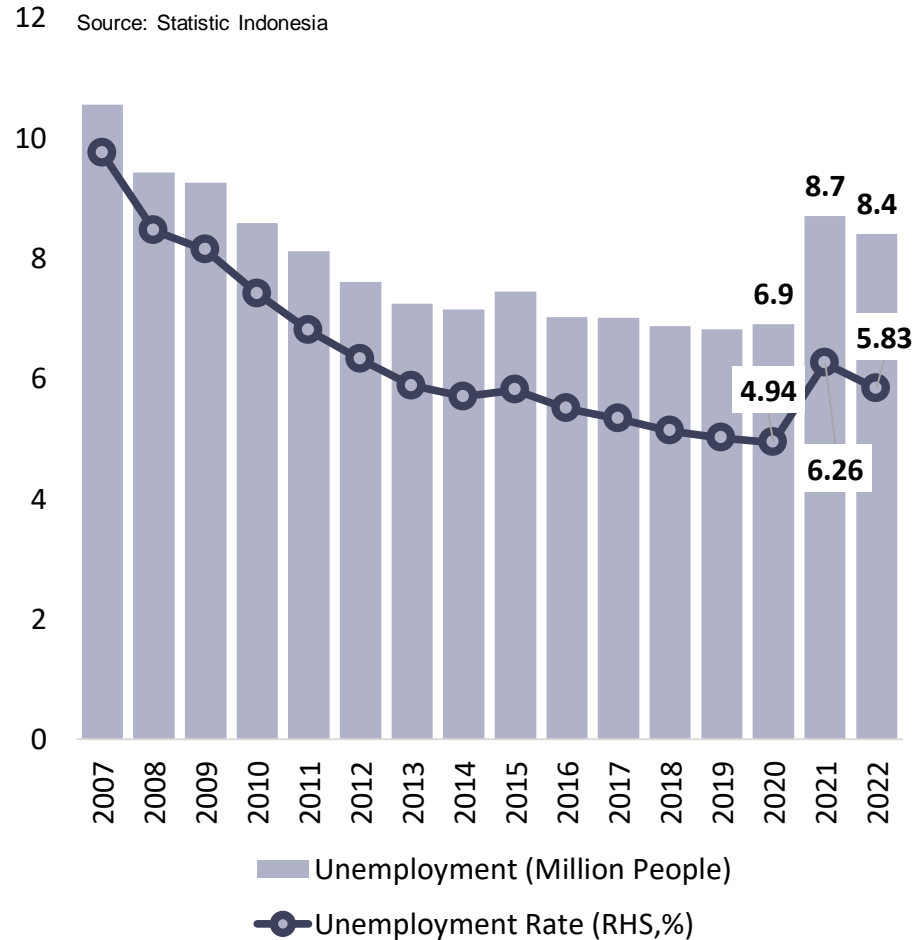
THE ROBUST RECOVERY HAS BROUGHT DOWN UNEMPLOYMENT AND POVERTY RATE

Social Safety Net and other recovery programs during pandemic has effectively reduced poverty and employment rates

The labor market is gradually recovering driven by a quality economic recovery

Labor Market

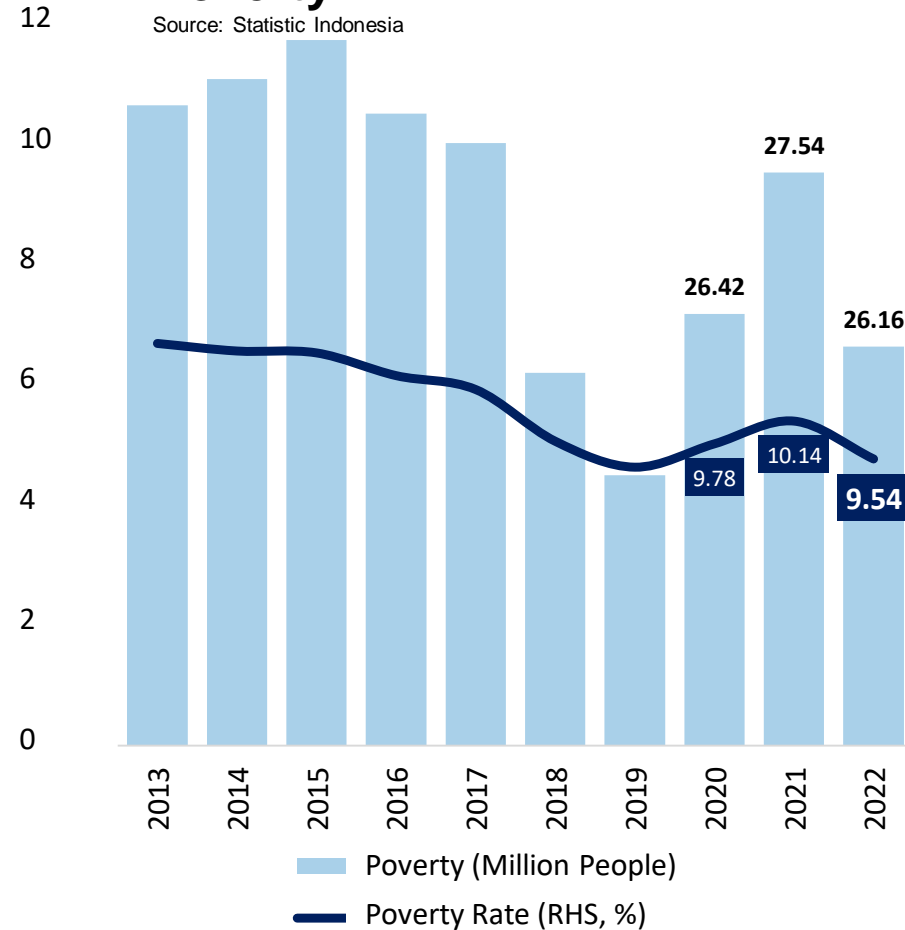
Source: Statistic Indonesia



Poverty rate continues a downward trend to single digits

Poverty

Source: Statistic Indonesia



Protection towards the improvement of public welfare is always maintained through various social protection programs

Social Security Budget

2021	IDR468,2 Trillion
2022	IDR502,6 Trillion
2023	IDR479,1 Trillion

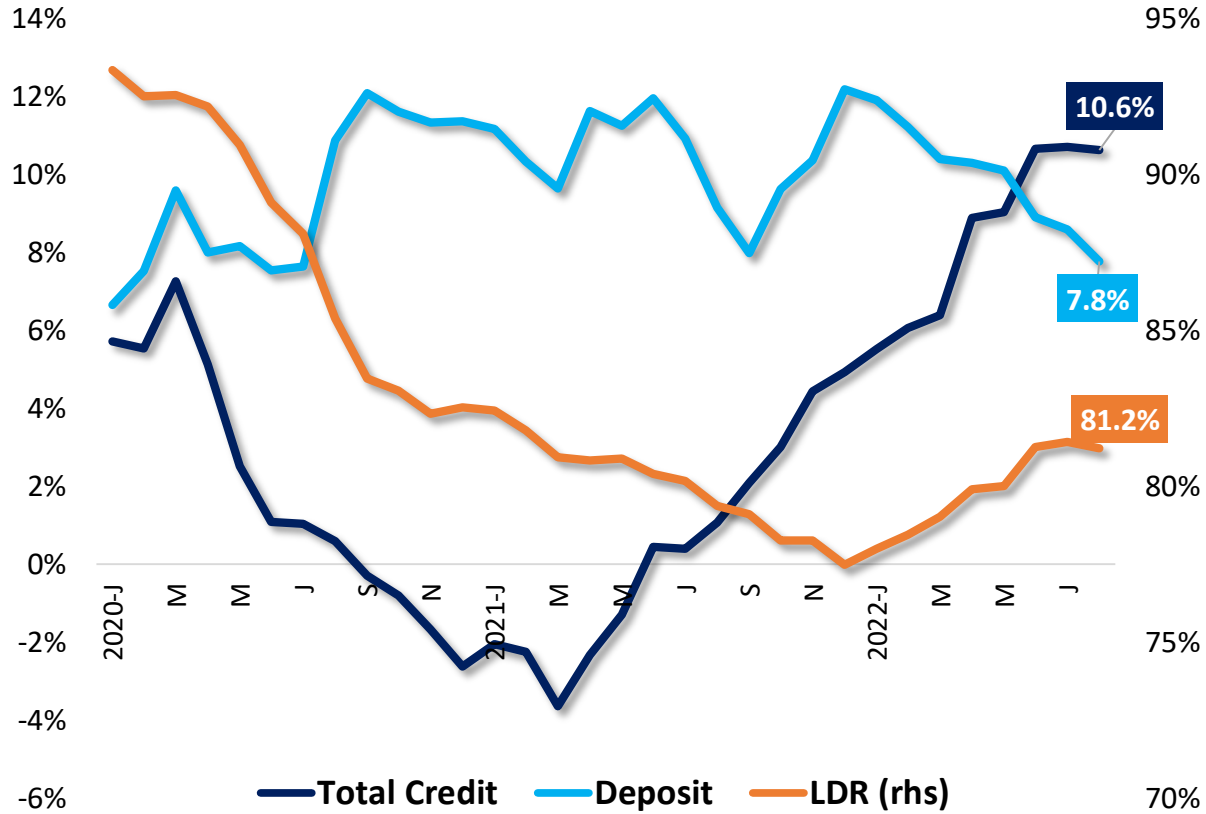
Micro Credit Program (Kredit Usaha Rakyat - KUR)

2021	IDR285 Trillion
2022	IDR316 Trillion
2023	IDR450 Trillion

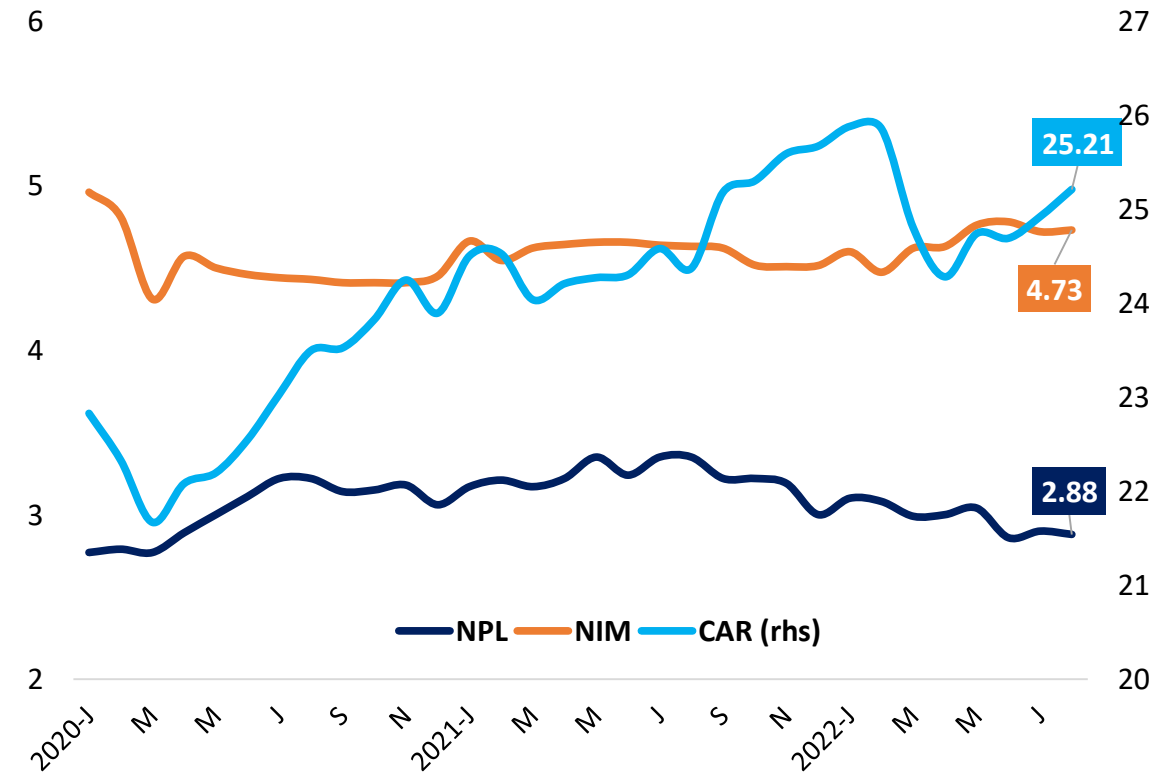


BANKING SECTOR REMAINS RELATIVELY SOLID & WELL - BUFFERED

Credit, Deposit Growth & LDR



Banking Performance Indicator (%)



Source: Bank Indonesia, OJK

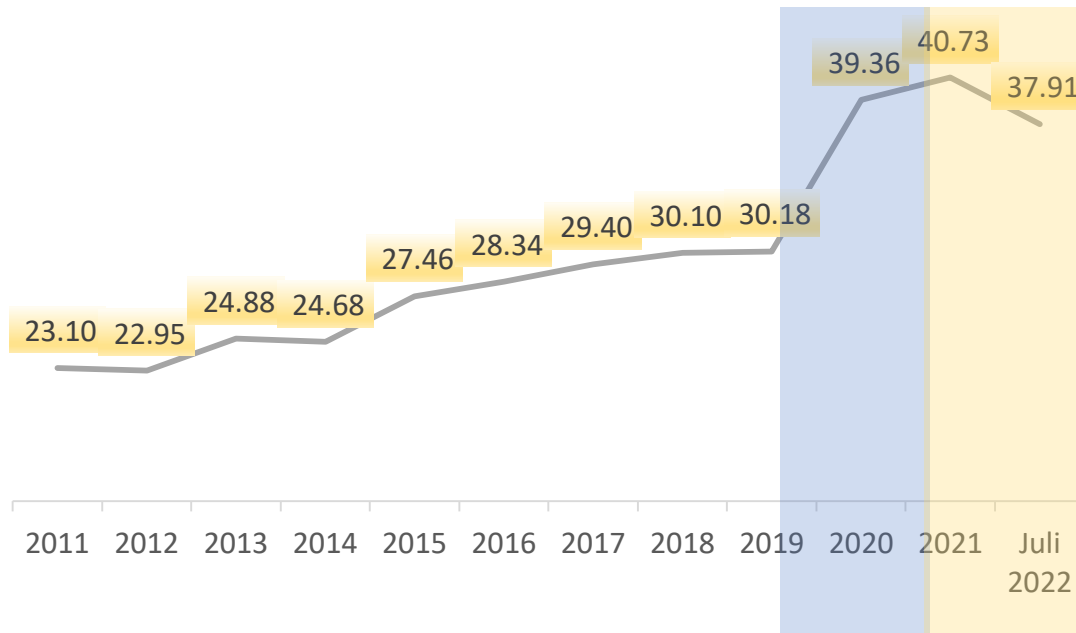
STRONG BUDGET PERFORMANCE IS LIKELY TO LOWER GOV'T DEBT RATIO

It will ensure a smooth and safe transition toward fiscal consolidation in 2023



Indonesia's economic prospects have received appreciations from International Institutions

Debt-to-GDP ratio on a Downward Trend

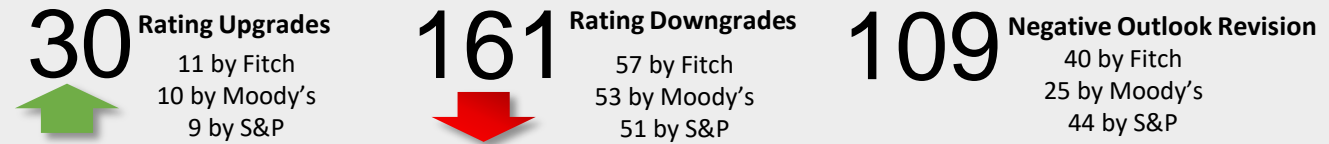


- The Covid-19 pandemic handling increased the Indonesia's debt ratio position in 2020-2021
- The Debt-to-GDP ratio at the end of July 2022 decreased to 37.91%, driven by controlling debt financing in line with the better performance of the government budget and the recovery of the economy so that the outlook for the budget deficit declined

S&P upgraded Indonesia's outlook from negative to STABLE in line with rating affirmations by Moody's, Fitch, R&I and JCR: confirm the condition of strong economic fundamentals and positive prospects

- **The Ability to absorb shocks** from the pandemic without any negative impact on the medium-term economic trajectory
- **The impact of the pandemic on Indonesia's fiscal is better than that of its peers**, with a promising fiscal consolidation scenario
- Significant progress in returning to a **moderate fiscal deficit and improving Indonesia's external economic position**

Rating Action during the 2020-2021 Pandemic



- During the pandemic, major rating agencies are rampantly taking action ratings the pandemic has had a major impact, especially on fiscal conditions
- More action ratings in 2020 than the 2008 GFC crisis
- In 2022, the three rating agencies have carried out **14 Rating Action Upgrades, 48 Rating Action Downgrades and 12 Negative Outlook Revisions**

Indonesia Rating Position

Rating Agency	Sovereign Credit Rating	Outlook	Tanggal Asesmen
R&I	BBB+	Stable	27 May 2022
S&P	BBB	Stable	27 April 2022
JCR Agency	BBB+	Stable	27 July 2022
Moody's	Baa2	Stable	10 January 2022
Fitch	BBB	Stable	13 June 2022



MINISTRY OF FINANCE
REPUBLIC OF INDONESIA

3 **INDONESIAN ECONOMIC RESILIENCE**

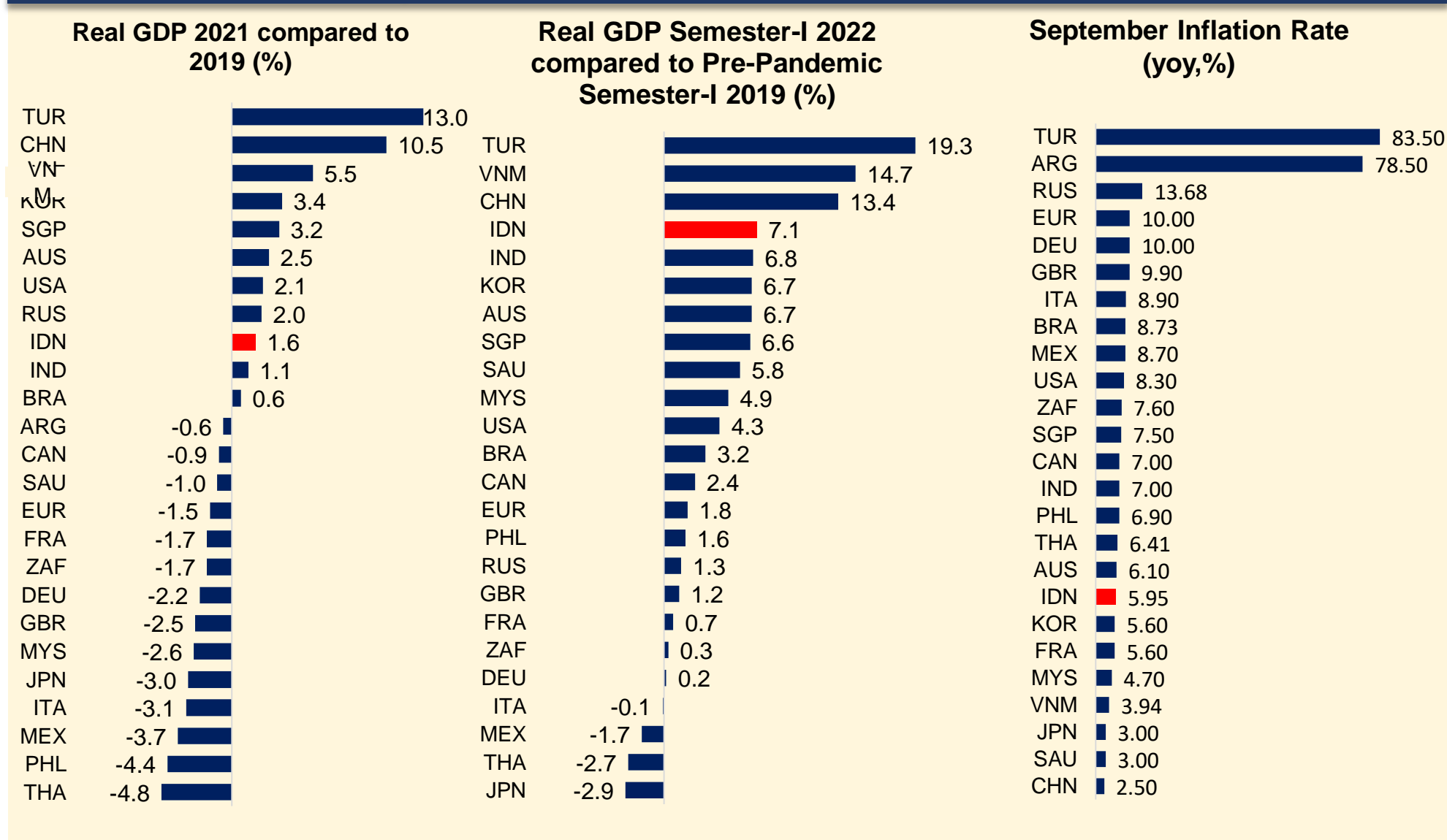


INDONESIA'S ECONOMY IS AMONG THOSE RECOVERING FAST WITH MANAGEABLE INFLATION

Since 2021, the Indonesian economy has recovered to pre-pandemic levels, shown by real GDP which was 1.6% above the 2019 level, and 7.1% in the first half of 2022.

The robust economic recovery was accompanied by relatively modest inflationary rate.

Comparison of G-20 and ASEAN-6 Indicators



Source: IMF, CEIC, MoF, 3 Oct 2022



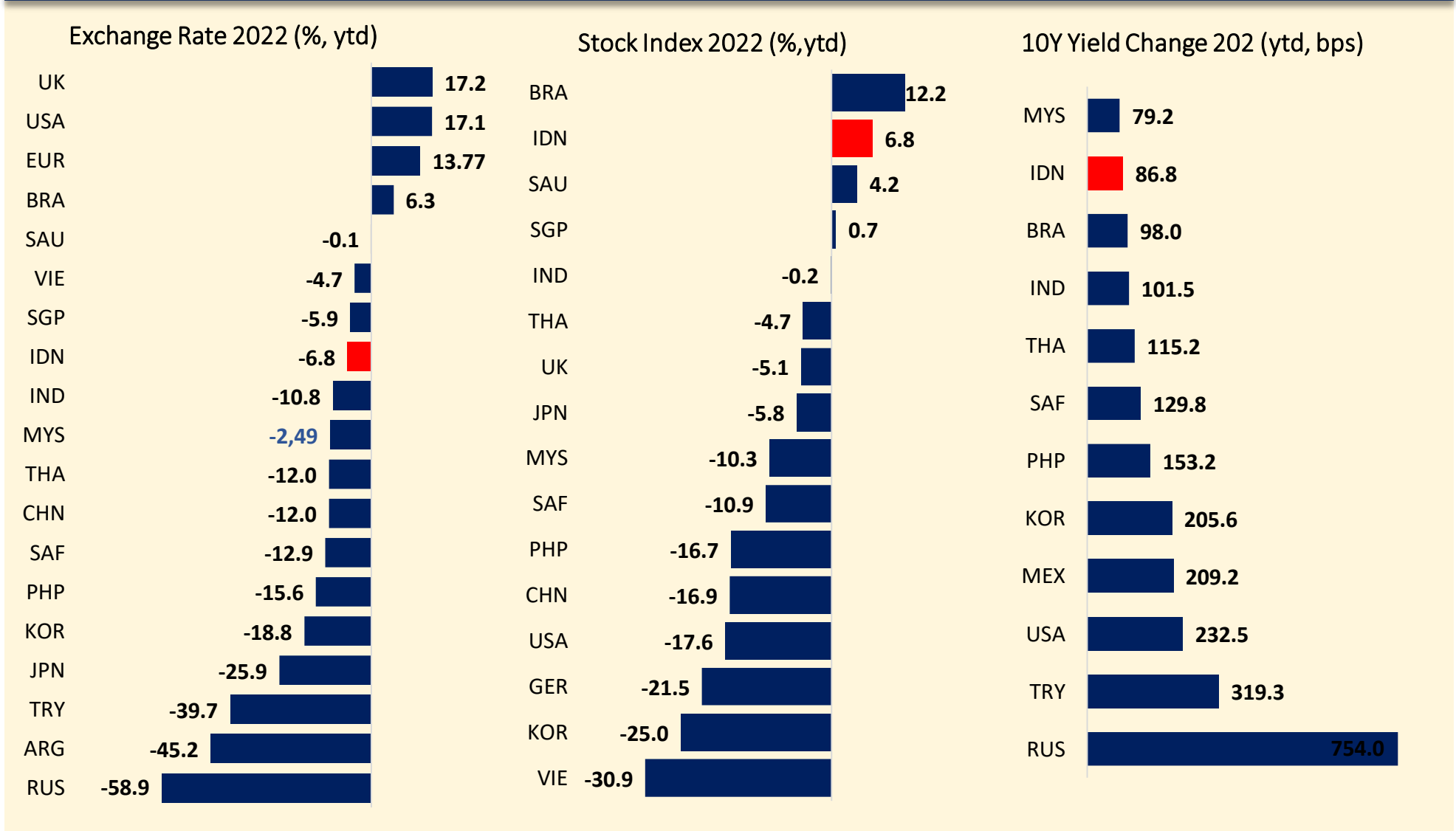
PRESSURE IN INDONESIA'S FINANCIAL SECTOR IS RELATIVELY MODERATE COMPARED TO MANY COUNTRIES

Indonesia's sound macroeconomic fundamentals have contributed in limiting financial market pressures

Rupiah depreciation and increase of Indonesia's bonds yield are among the lowest, while stock index outperforms many peers.



Comparison of G-20 and ASEAN-6 Indicators



Source: Bloomberg, 7 October 2022

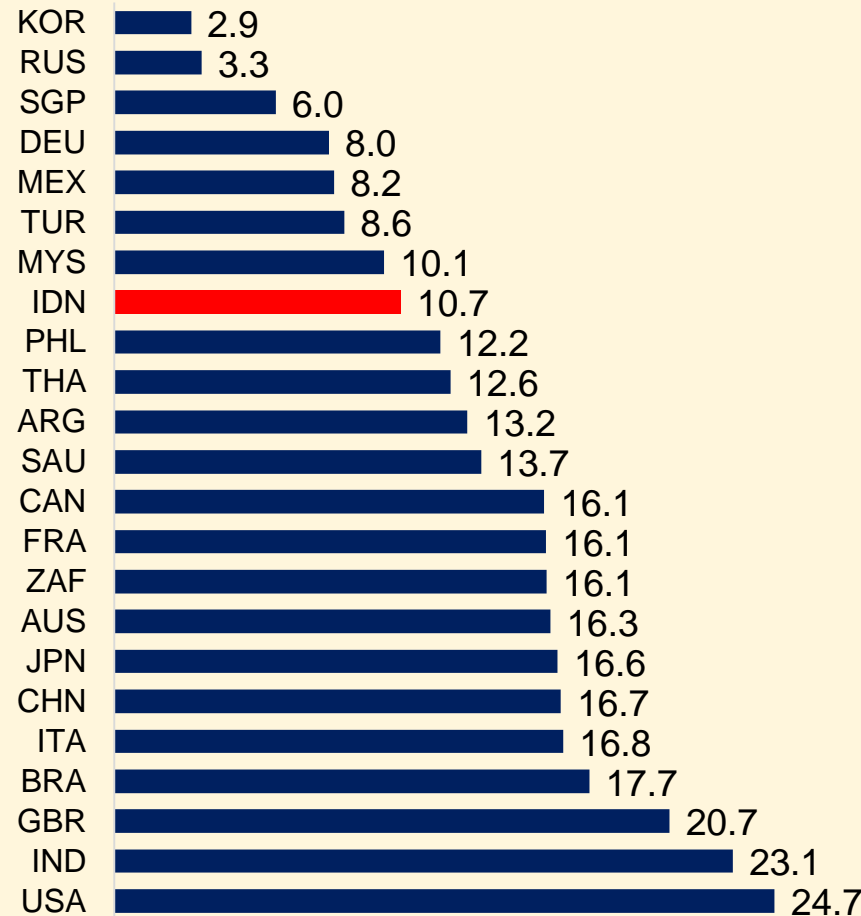


INDONESIA'S FISCAL POLICY MANAGEMENT IS DISCIPLINE & PRUDENT

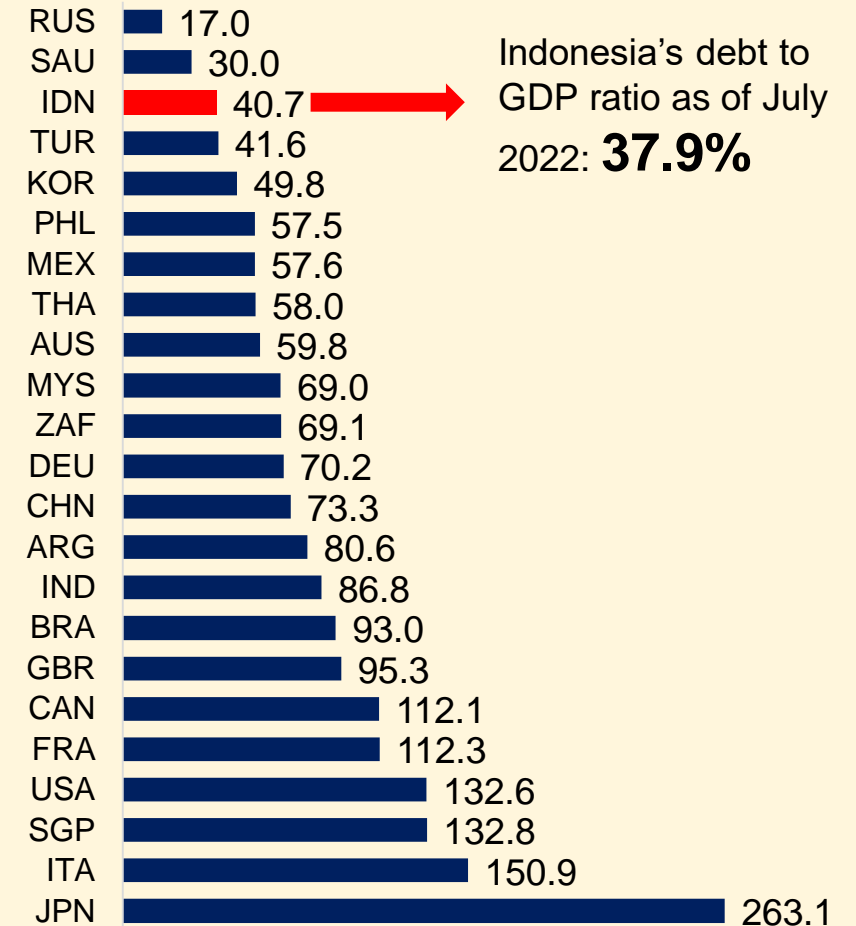
Prudent and sustainable fiscal management is reflected from moderate deficit and low debt level

Comparison of G-20 and ASEAN-6 Indicators

Accumulated Fiscal Deficit 2020-2021 (% of GDP)



Debt Ratio 2021 (% of GDP)



Indonesia's debt to GDP ratio as of July 2022: **37.9%**



MINISTRY OF FINANCE
REPUBLIC OF INDONESIA

4 RECENT FISCAL POLICY UPDATES



STRONG BUDGET PERFORMANCE CONTINUES IN 2022

Revenue stream is very strong, mainly supported by the economic recovery and global commodity prices



Account (IDR tn)	2021		2022		
	YTD as of 31 August	YoY Growth (%)	Perpres 98/2022	YTD as of 31 August	YoY Growth (%)
A. Revenue	1.177.8	13.9	2,266.2	1,764.4	49.8
I. Tax Revenue	741.3	9.5	1,485.0	1,171.8	58.1
II. Customs & Excise	158.0	30.4	299.0	206.2	30.5
III. Non-tax Revenue	277.8	19.7	481.6	386.0	38.9
B. Expenditure	1,560.8	1.5	3,106.4	1,657.0	6.2
I. Central Government	1,087.9	10.9	2,301.6	1,178.1	8.3
II. Regional Transfer & Village Funds	472.9	(15.2)	804.8	478.9	1.3
C. Primary Balance	(169.8)	(44.7)	(434.4)	342.1	301.5
D. Surplus (Deficit)	(383.1)	(24.0)	(840.2)	107.4	128.0
<i>% to GDP</i>	(2.26)		(4.50)	0.58	
E. Financing	531.0	(20.3)	840.2	286.8	(46.0)
F. Surplus of Financing	148.0			394.2	

The state budget performance until August 31 2022 is well maintained, supported by the positive performance of State Revenues and Expenditures. still need acceleration in spending to improve public protection.

State Revenue growth trend continues, reaching 49.8% (yoy), as the impact of commodity prices and sustained economic recovery. But in the future it is expected to slow down.

The growth of state spending is getting better. However, it is necessary to anticipate the need for subsidies and compensation as well as the provision of additional social assistance to increase people's purchasing power. Spending continues to be accelerated to balance income for community protection and economic recovery.

Primary balance is maintained like the previous month. The achievement of APBN 2022 is pursued according to the target considering the dynamics of 2022 and the sustainability of APBN 2023.

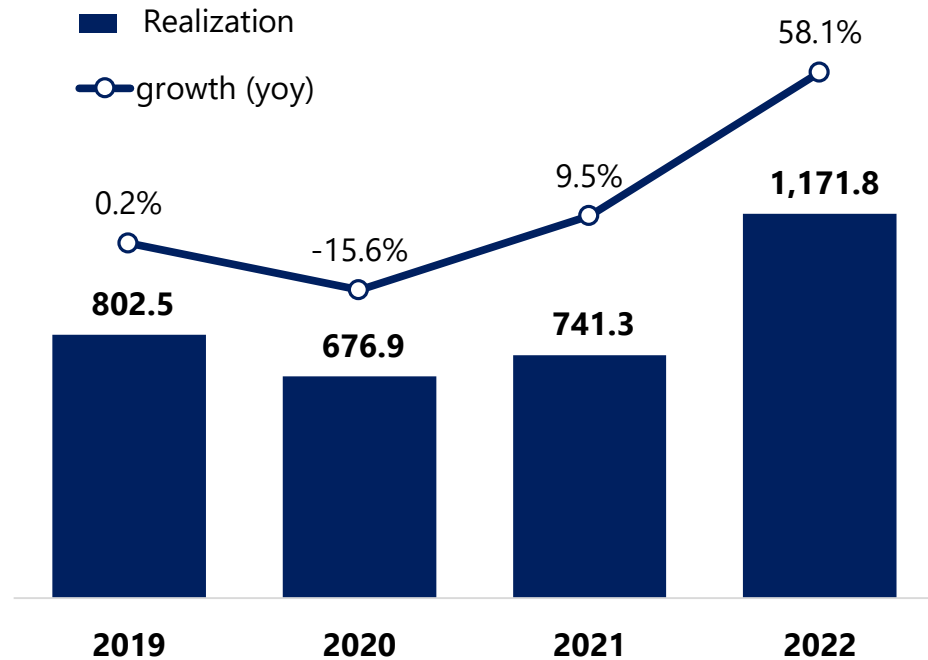


REVENUE COLLECTION CONTINUES TO STRENGTHEN

Supported by commodity boom, stronger confidence in doing economic activities, and tax reforms



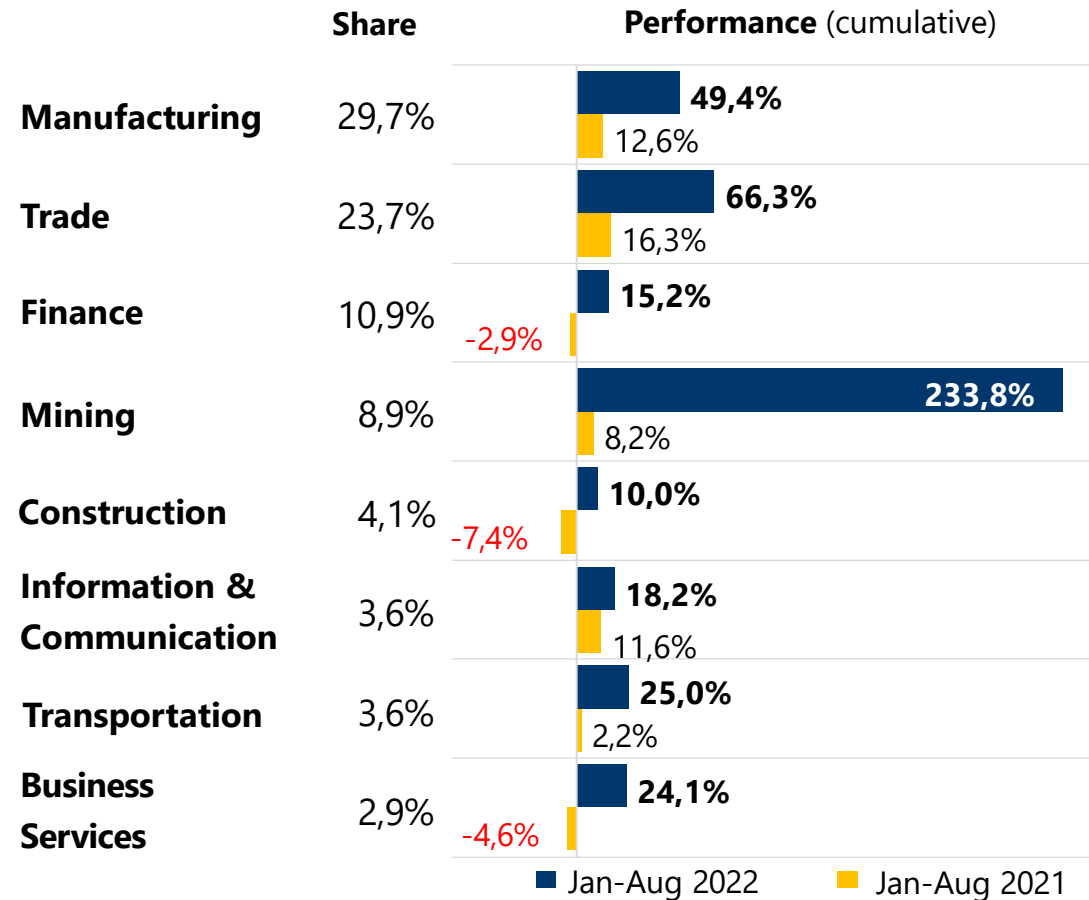
Tax Revenue January-August (Rp Trillion)



The outstanding tax revenue collection in January-August 2022 was driven by:

- The trend of **increasing commodity prices**;
- Expansive **economic growth**;
- **Low base in 2021** due to **fiscal incentives**;
- Impact of the implementation of **the HPP Law**.

Source: Ministry of Financial



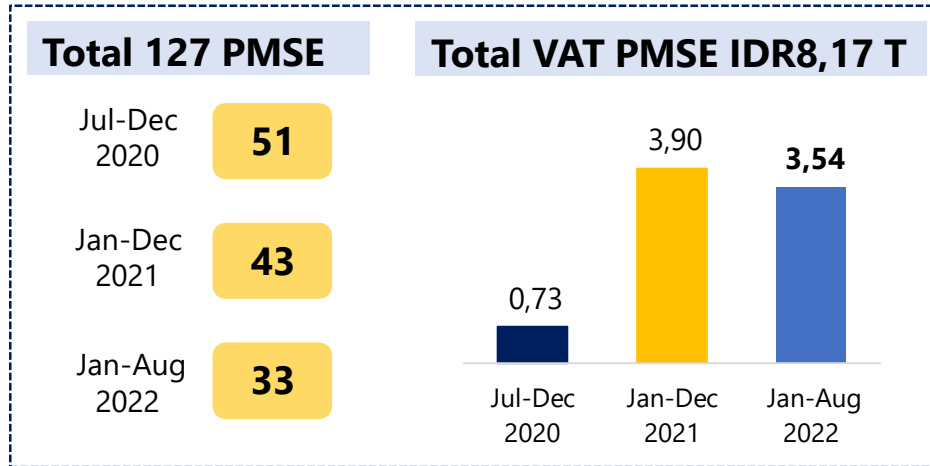
- **The best performing sectors in the economy** (i.e. manufacturing, trade, and mining) **are also translated into the tax revenue** and recorded the highest growth among sectors.
- **Much improved economic recovery** and activities **are also reflected in all sectors** of tax receipts, which significantly grew higher compared to the same period last year.



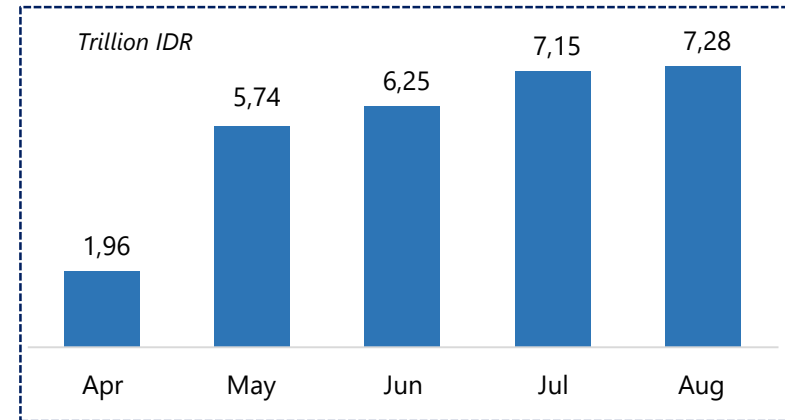
IMPLEMENTATION OF THE TAX REFORM (THE *HPP LAW* NO.7/2021)



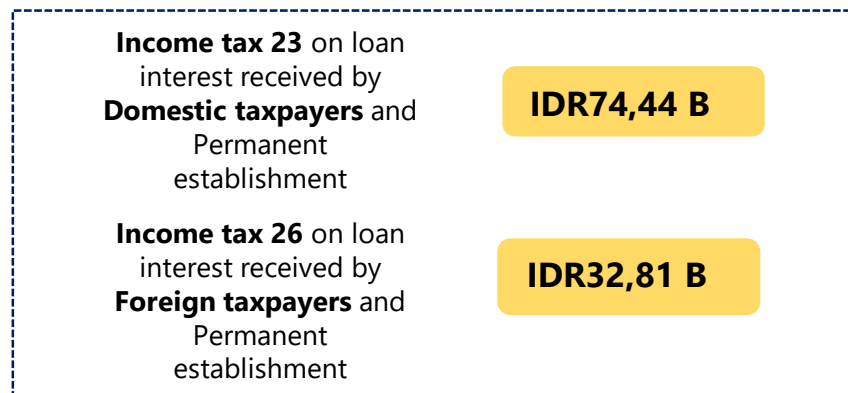
1 VAT Trading Through Electronic System (PPN PMSE)



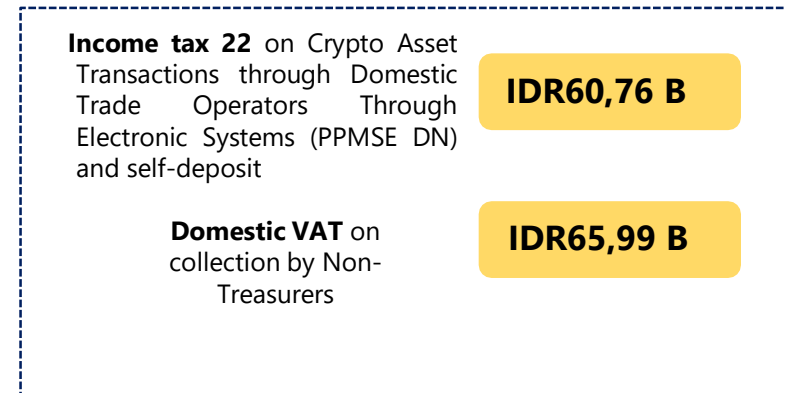
2 Impact of VAT Rate Adjustment (valid on April 1)



3 Fintech Tax - P2P Lending (valid on May 1, starting to be paid and reported in June)



4 Crypto Tax (valid on May 1, starting to be paid and reported in June)





THE VOLUNTARY DISCLOSURE (PPS) PROGRAM



Background

To accommodate:

- Tax amnesty participants** who have not declared their assets* in the previous term,
- Taxpayers** who have not disclosed income for the period 2016 – 2020.

Tax Rate

Declaring foreign assets	Repatriate foreign assets Declare domestic assets	Repatriate foreign assets Invest domestic assets
11%	8%	6%
18%	14%	12%

Objective

Improve taxpayers' compliance through voluntary disclosure program for unreported tax obligations at a final income tax rate.

Period

6 Month (1 January 2022 – 30 June 2022)

Outcome



247,918
TAXPAYERS

IDR61.01T
Tax Collected

IDR594.82T
Total Net Assets

IDR22.34T
Investment



308,059
DOCUMENTS

IDR512.57T
Domestic Declaration
and Repatriation

IDR59.91T
Declaration from
overseas

Placement in Gov't Security (SBN)

Gov't Bonds

IDR1,057.43bn | USD11.84 mn

Sharia Gov't Bonds

IDR135.35bn

Timeline for Special Gov't Bonds for PPS purposes



**NEXT STEP TO
INCREASE TAX RATIO**

No more Voluntary
Disclosure Program

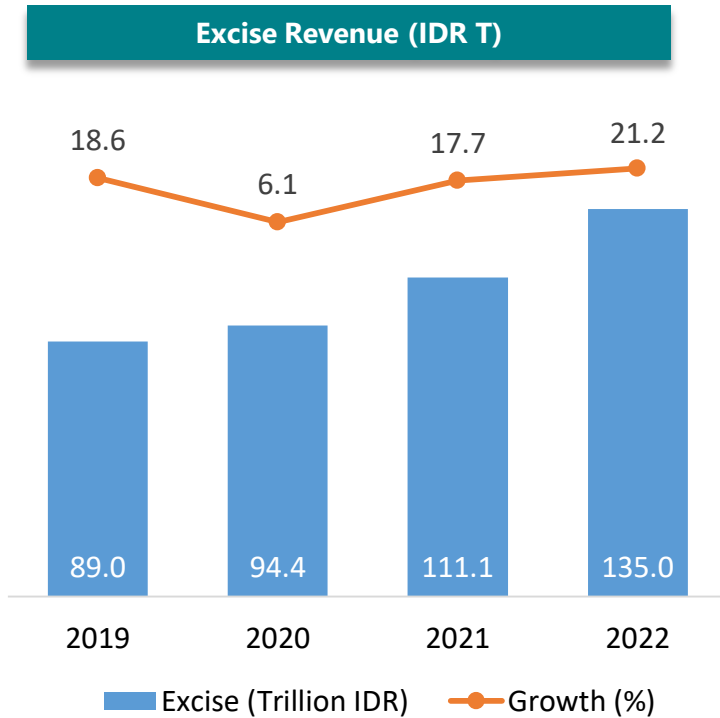
Supervision and Enforcement
for Better Compliance

Utilizing External and Internal Data, and
AEoI for Core Tax System

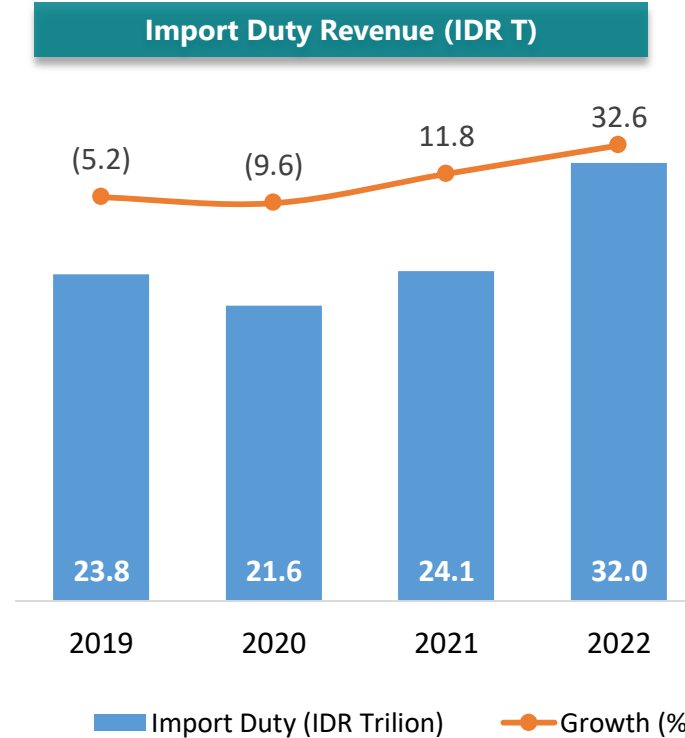


GREW

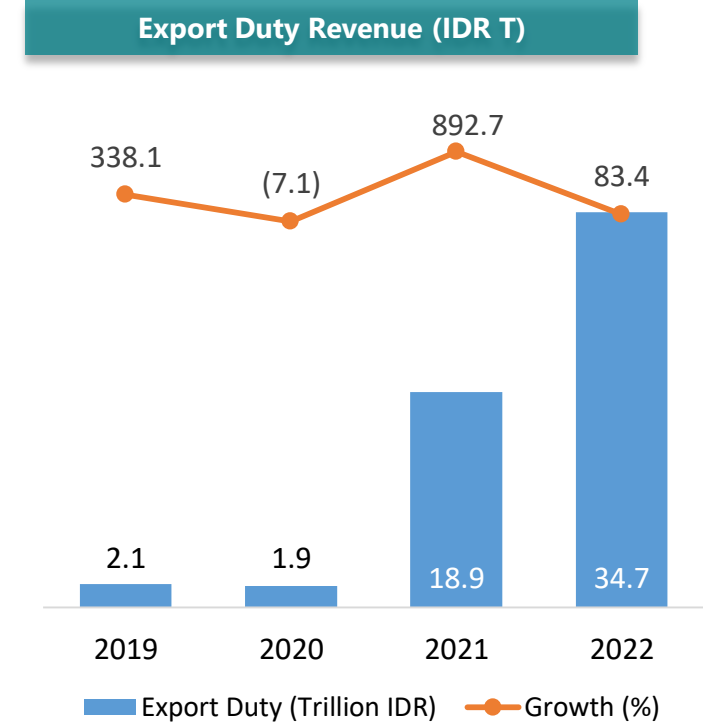
Driven by the trend of improving national import performance, high commodity prices, increasing export volume, and the effectiveness of tariff policies



Influenced by the effectiveness of the tariff policy, the surge in production in March (the effect of the increase in VAT rates) and the effectiveness of supervision.



Affected by the improved import performance and underpinned by trade and manufacturing sectors.



Driven by high commodity prices, the increase in export duty tariffs for palm oil products, and the Flush Out policy.

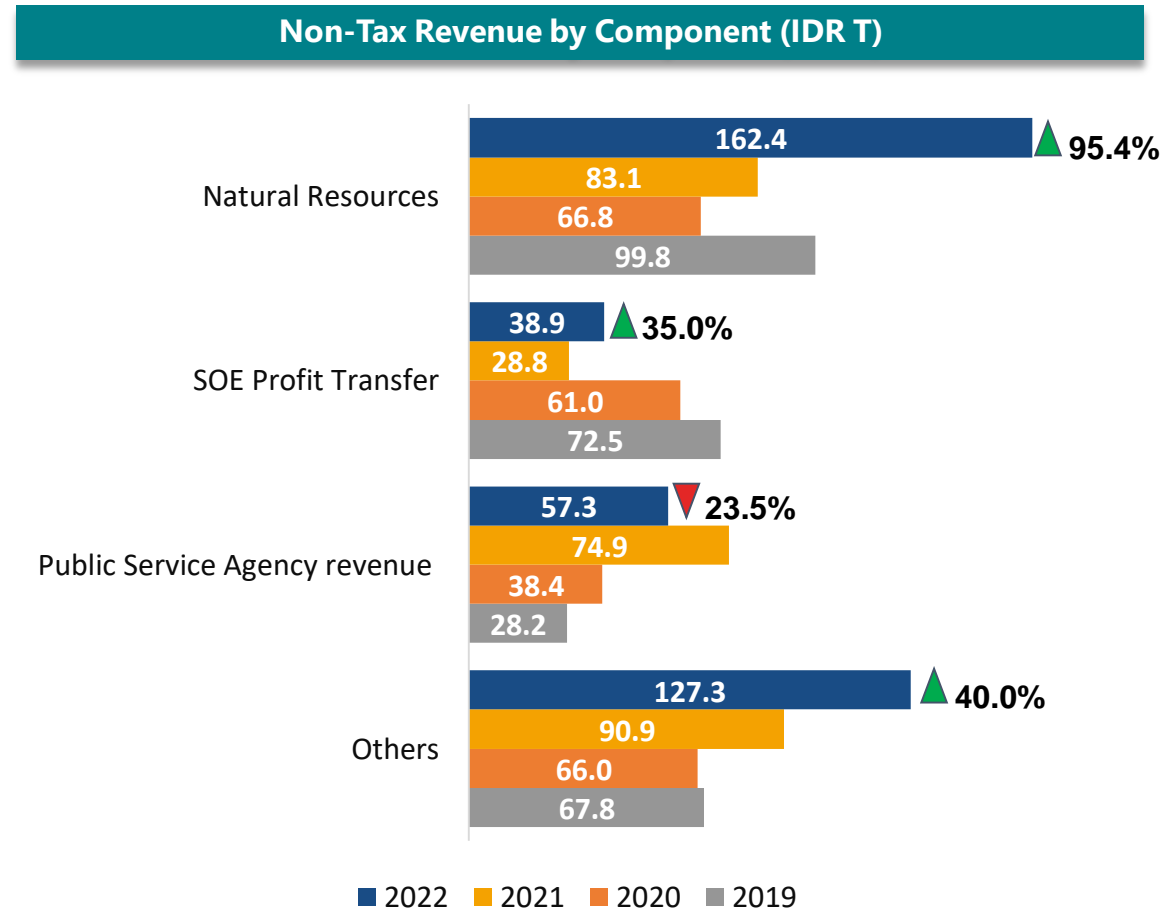
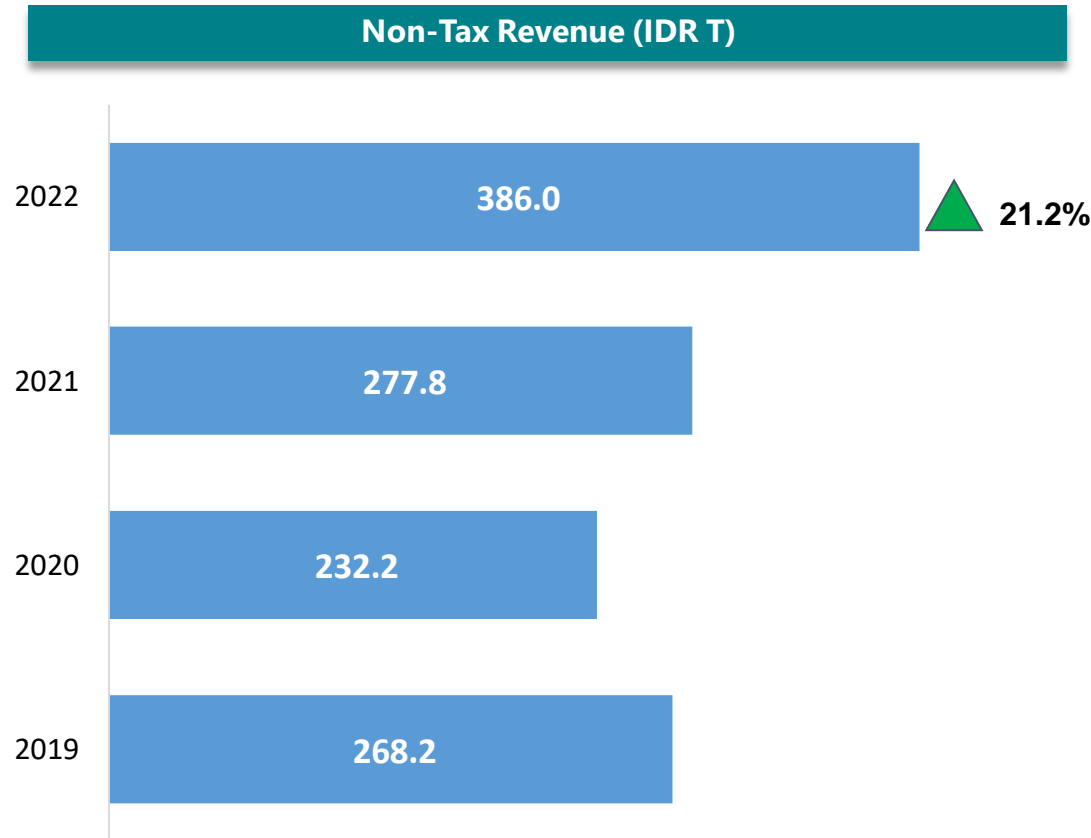
Source: Ministry of Finance
Notes: 1 Realization up to YTD August



NON-TAX REVENUE GREW STRONGLY SUPPORTED BY AN INCREASE ALMOST IN ALL COMPONENTS



Driven by the increase in commodity prices, good performance SOEs, and improvement of public services



Source: Ministry of Finance

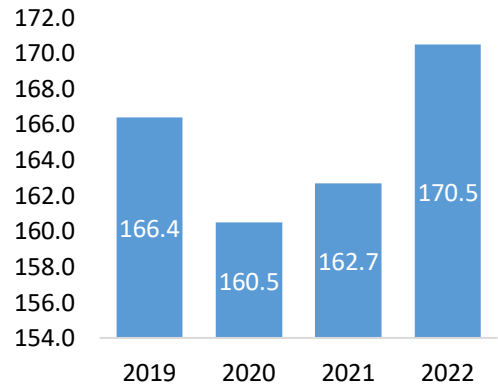
Notes: 1 Realization up to YTD August



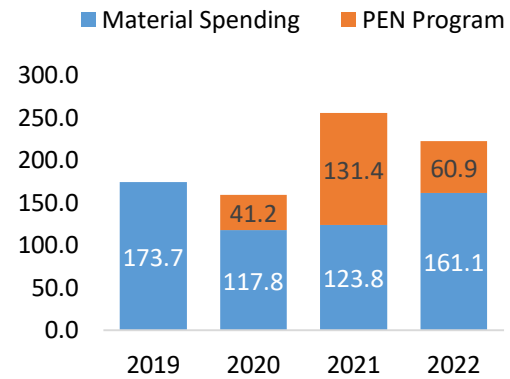
MAINTAINED ACCELERATION OF GOVERNMENT SPENDING

The success of controlling Covid-19 reduces overall costs and increases capacity for other government spending

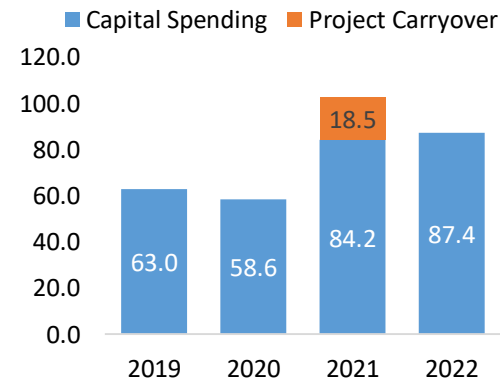
Personnel Spending (IDR T)¹



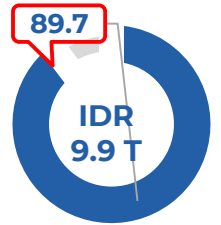
Material Spending (IDR T)¹



Capital Spending (IDR T)¹



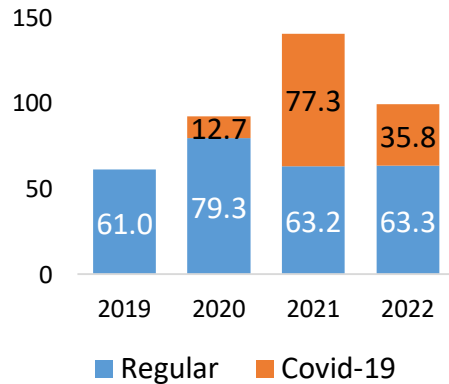
Pre-Employment Card Realization (IDR T)¹



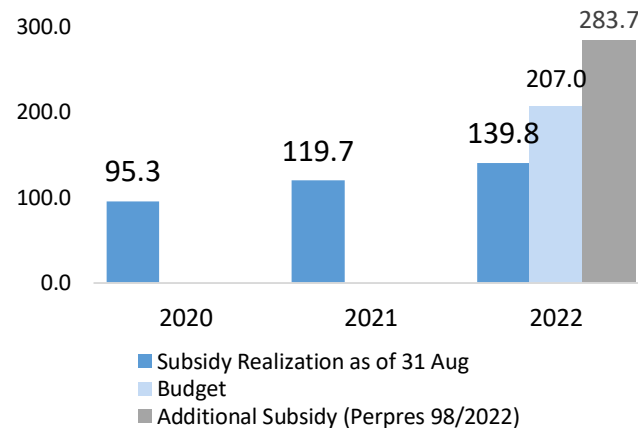
Realization Social Assistance¹ IDR 261.8 T

Realization (16 Sept 22) Cash Transfer IDR 6.2 T Wage Subsidy IDR 2.62 T

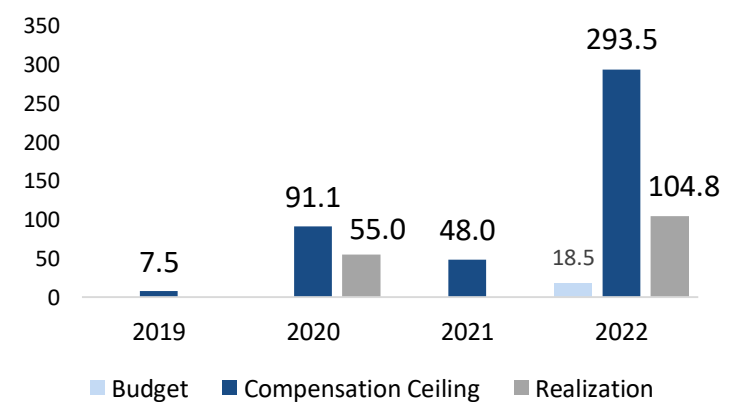
Health Spending (IDR T)¹



Subsidy Spending (IDR T)¹



Compensation (IDR T)¹

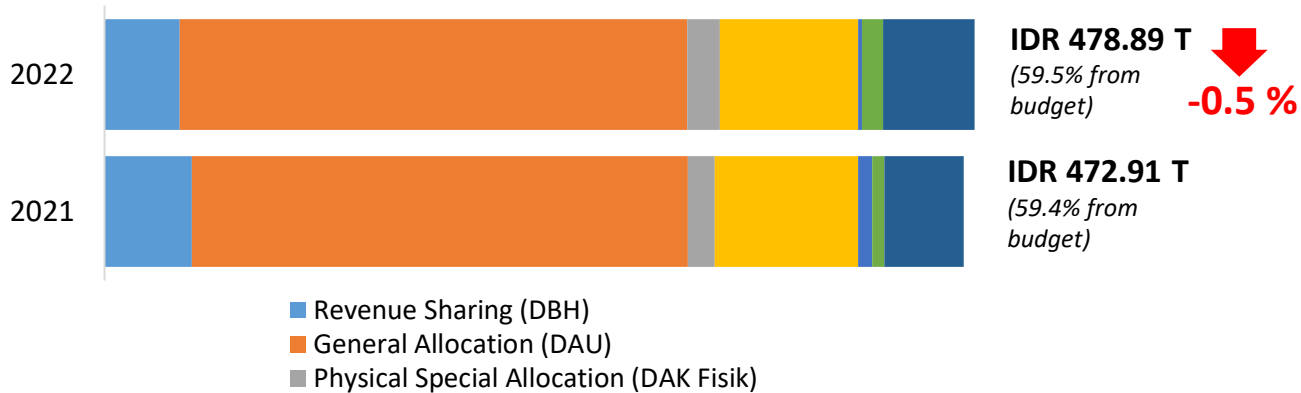


Source: Ministry of Finance
Notes: 1 Realization up to YTD Aug



UP TO AUGUST 2022, TRANSFER TO REGION PERFORMANCE WAS IMPROVED

Local Government Budget performance needs to be optimized, as the local gov't saving remains higher

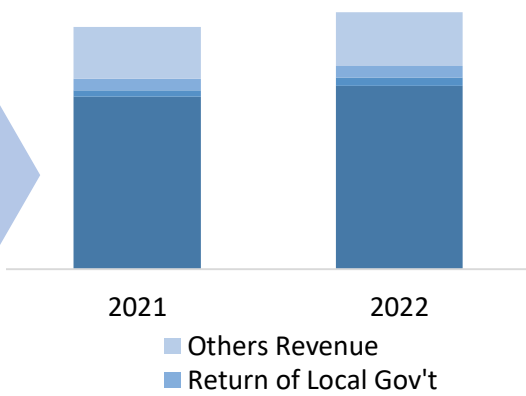


- Local government compliance on meeting administrative requirements have improved, driving higher realization on various items of transfer.
- Several items of transfer realization, such as DID was lower compared to previous year, mainly due to lower budget allocation.

Local Gov't Performance

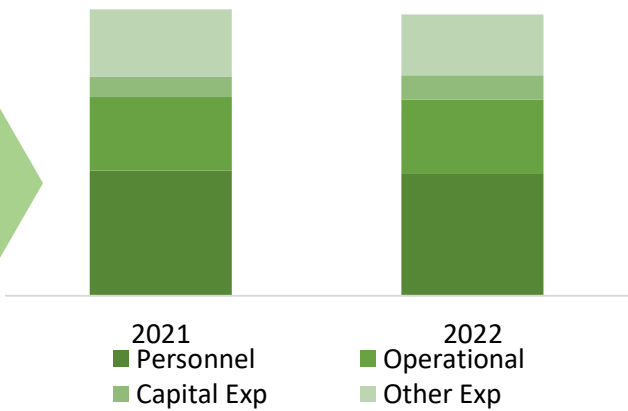
REVENUE

- Local Gov't revenue was dominated by local tax (71.4%).
- Local tax performance was improved and grew high return to pre-pandemic level. Tax on consumption goods booked excellence performance along with economic recovery



SPENDING

- Up to Aug, local Gov't spending was recorded lower 1.7% compared to previous year. The biggest decline was contributed by other expenditures
- The spending reached 44.9% to local budget.



Source: Ministry of Finance

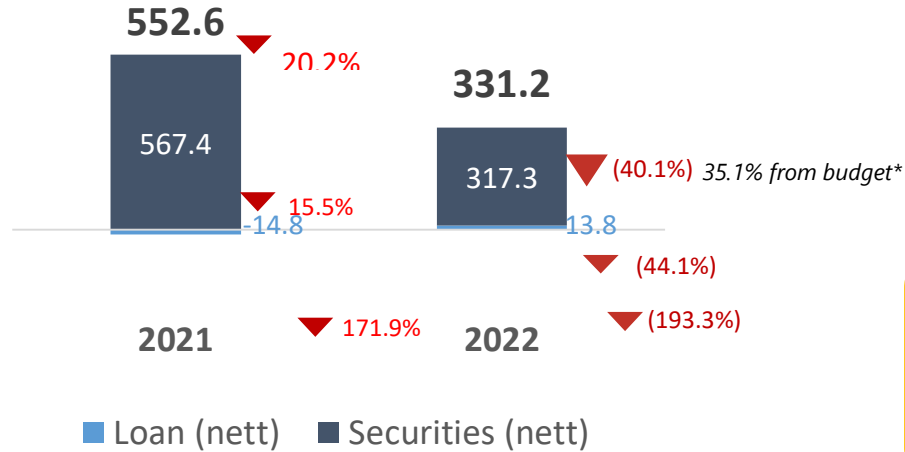


BUDGET FINANCING APPLY PRUDENT, FLEXIBLE, AND OPPORTUNISTIC PRINCIPLE

Financing anticipating the ongoing volatility



Financing Realization Up To 31 Aug



Government Securities (Net) IDR 317.3 T

Loan (Net) IDR 13.8 T

Domestic Loan (Net) IDR 2.4 T

Foreign Loan (Net) IDR 11.5 T

- Domestic Loan Withdrawal (Gross) IDR 3.5T
- Domestic loan principal installment financing IDR (1.1T)

- Foreign Loan Withdrawal (Gross) IDR 57.4T
- Foreign loan principal installment financing IDR (45.9T)

INVESTMENT FINANCING REALIZATION: IDR 55.0 T* **up to 31 Aug 2022*

 Lembaga Manajemen Aset Negara	State Asset Management Agency (LMAN) IDR 20T	 LDKPI	International Development Fund Cooperation Agency (FLPP) IDR 1 T
 FLPP	Housing Finance Liquidity Facility (FLPP) IDR 11T	 LPDP	Education Fund Management Agency (LPDP) IDR 20 T

 Governance is improved with the **Key Performance Indicator (KPI)** of Investment Financing
  Disbursement of Investment Financing allocation is based on **performance and priority analysis**

Source: Ministry of Finance



2023 FISCAL POLICY DIRECTIONS TO DRIVE PRODUCTIVITY FOR INCLUSIVE AND SUSTAINABLE ECONOMIC TRANSFORMATION



HUMAN RESOURCE QUALITY

INFRASTRUCTURE

BUREAUCRACY REFORM

INDUSTRIAL REVITALIZATION

GREEN ECONOMY

Quality Fiscal Consolidation (mandated by Law of 2/2020)

REVENUE MOBILIZATION

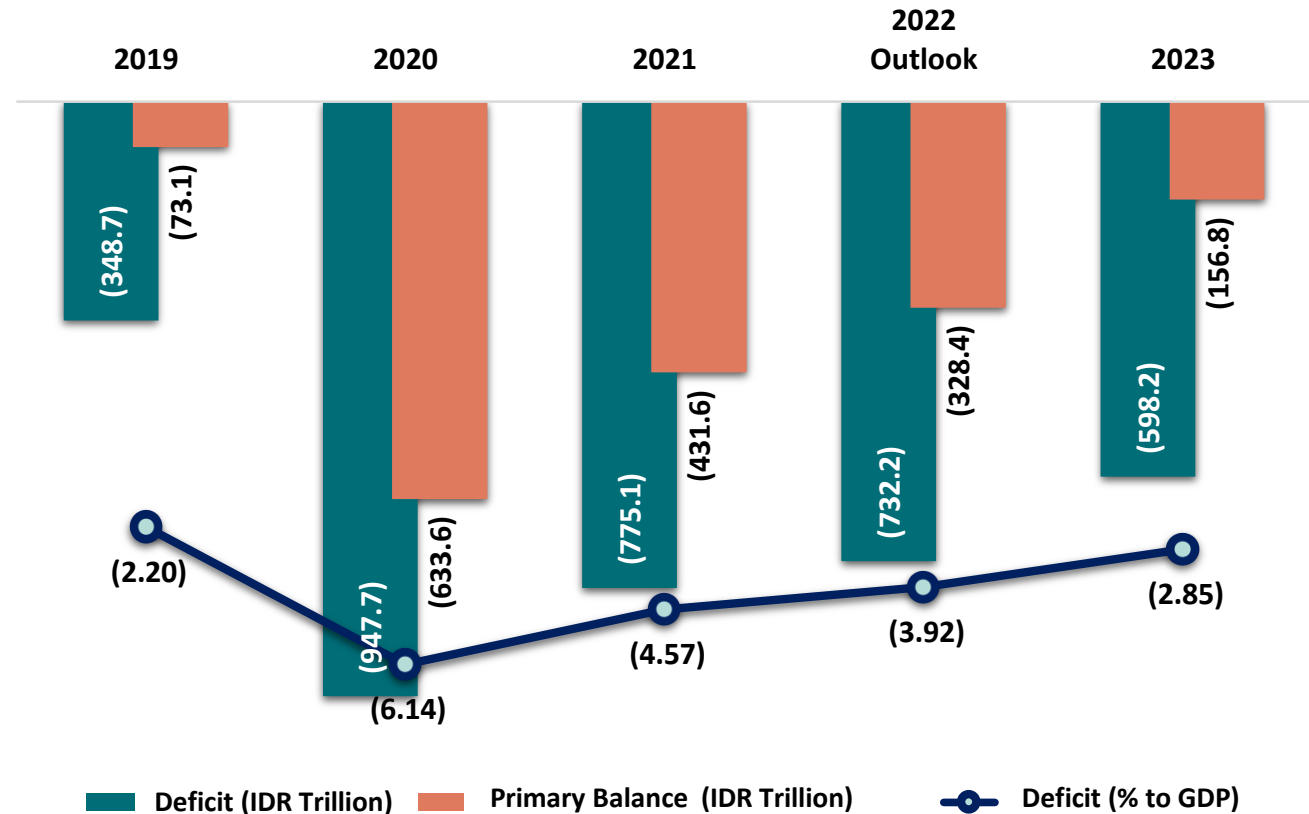
- Effectiveness of HPP Law (increased tax ratio);
- Non-tax Rev optimization through services innovation and asset management reformation

SPENDING BETTER

- Efficient and Productive
- Focusing on *human capital, physical capital, institutional reform, adaptation in endemic*
- Anticipating *uncertainty*

INNOVATIVE & SUSTAINABLE FINANCING

- Managing debt risk
- Increasing the role of private sector, SOE, Public Service Agency (BLU), SWF, SMV (**Innovative Financing**)

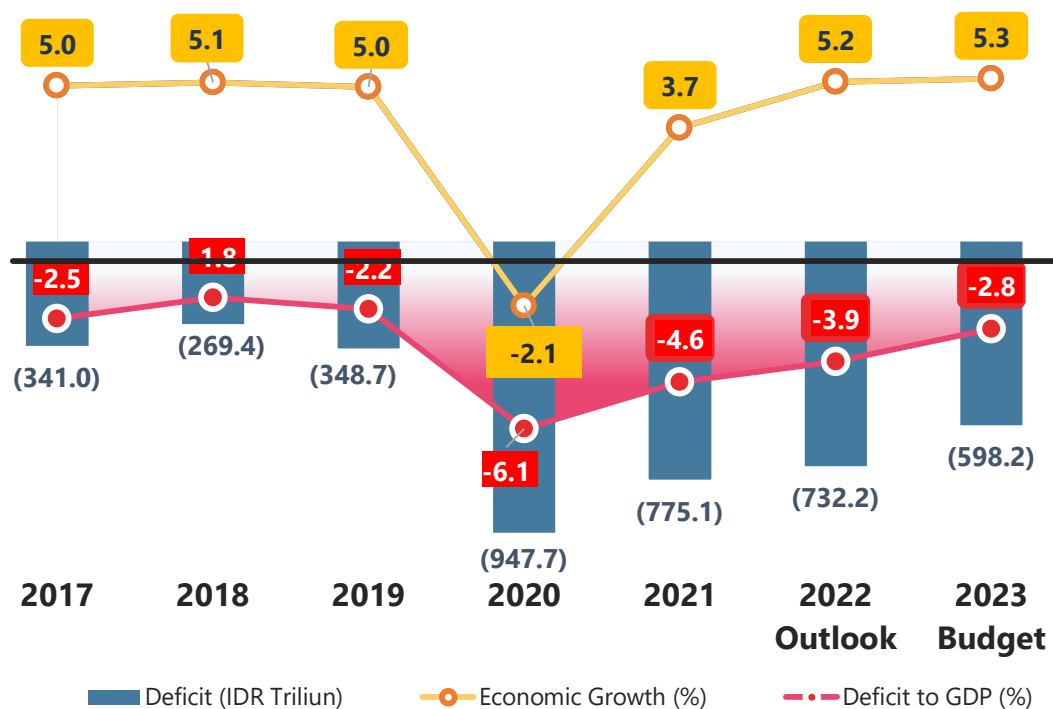




2023 GOVERNMENT BUDGET TO INCREASE PRODUCTIVITY AND RESPOND TO RISKS OF GLOBAL ECONOMIC UNCERTAINTY



The budget deficit is back below 3 percent and for the first time the tax target is above IDR 2 thousand trillion



Account (IDR T)	2020	2021	2022		2023		
	Audited	Audited	Budget	Perpres 98/2022	Outlook	Budget	Growth* (%)
State Revenue*	1,647.8	2,011.4	1,846.1	2,266.2	2,436.9	2,463.6	1.1
Tax Revenue	1,285.1	1,547.9	1,510.0	1,784.0	1,924.9	2,021.2	5.0
Non Tax Revenue	343.8	458.5	335.6	481.6	510.9	441.4	(13.6)
State Expenditure	2,595.5	2,786.4	2,714.2	3,106.4	3,169.1	3,061.2	(3.4)
Central Government Expenditure	1,833.0	2,000.7	1,944.5	2,301.6	2,370.0	2,246.5	(5.2)
Regional Transfer & Village Funds	762.5	785.7	769.6	804.8	799.1	814.7	2.0
Primary Balance	(633.6)	(431.6)	(462.2)	(434.4)	(328.4)	(156.8)	(52.3)
Surplus (Deficit)	(947.7)	(775.1)	(868.0)	(840.8)	(732.2)	(598.2)	(18.3)
<i>% to GDP</i>	<i>(6.14)</i>	<i>(4.57)</i>	<i>(4.85)</i>	<i>(4.50)</i>	<i>(3.92)</i>	<i>(2.84)</i>	
Financing	1,193.3	871.7	868.0	840.2	732.2	598.2	(18.3)



Economic Growth
5.3%



Inflation
3.6%



Exchange Rate
IDR 14,800/USD



10Y T-Bonds Rate
7.9 %



ICP
90
USD/Barrel



Oil Lifting
660
Thousand bpd



Gas Lifting
1,100
million bpd

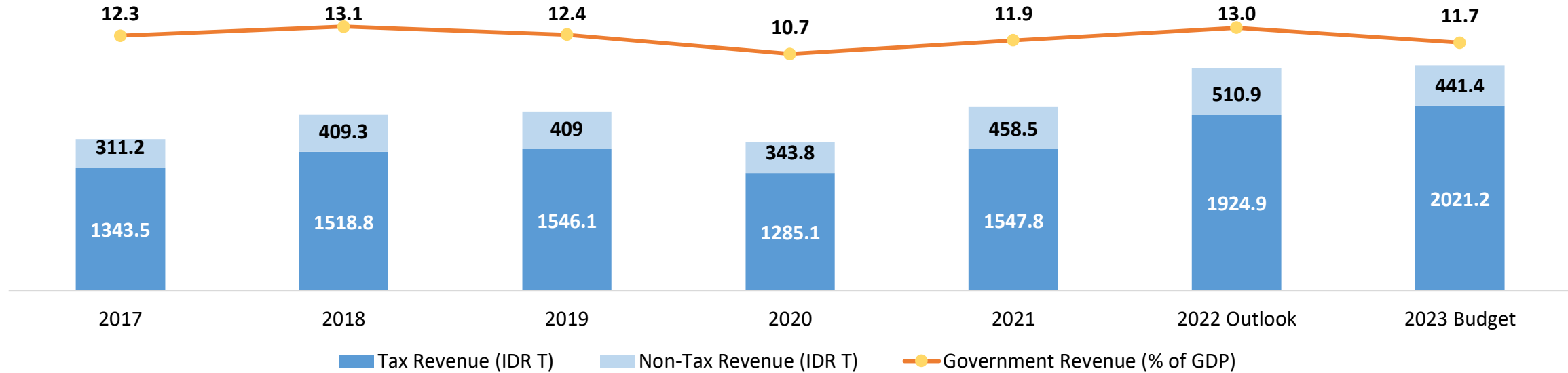


OPTIMIZING GOVERNMENT REVENUE AND MAINTAINING THE INVESTMENT CLIMATE

Continuing tax reform, service innovation, and optimizing asset management



Government Revenue



2023 Tax Policies

1. Maintaining the effectiveness of the tax reform (HPP Law) implementation.
2. Increasing taxpayer compliance by providing fiscal incentives for strategic economic activities that have a strong multiplier for the economy.
3. Tax extensification and intensification to strengthen the tax base and increase taxpayer compliance.
4. Optimization of customs & excise through extensification, strengthened supervision, and law enforcement.

2023 Non-Tax Revenue Policies

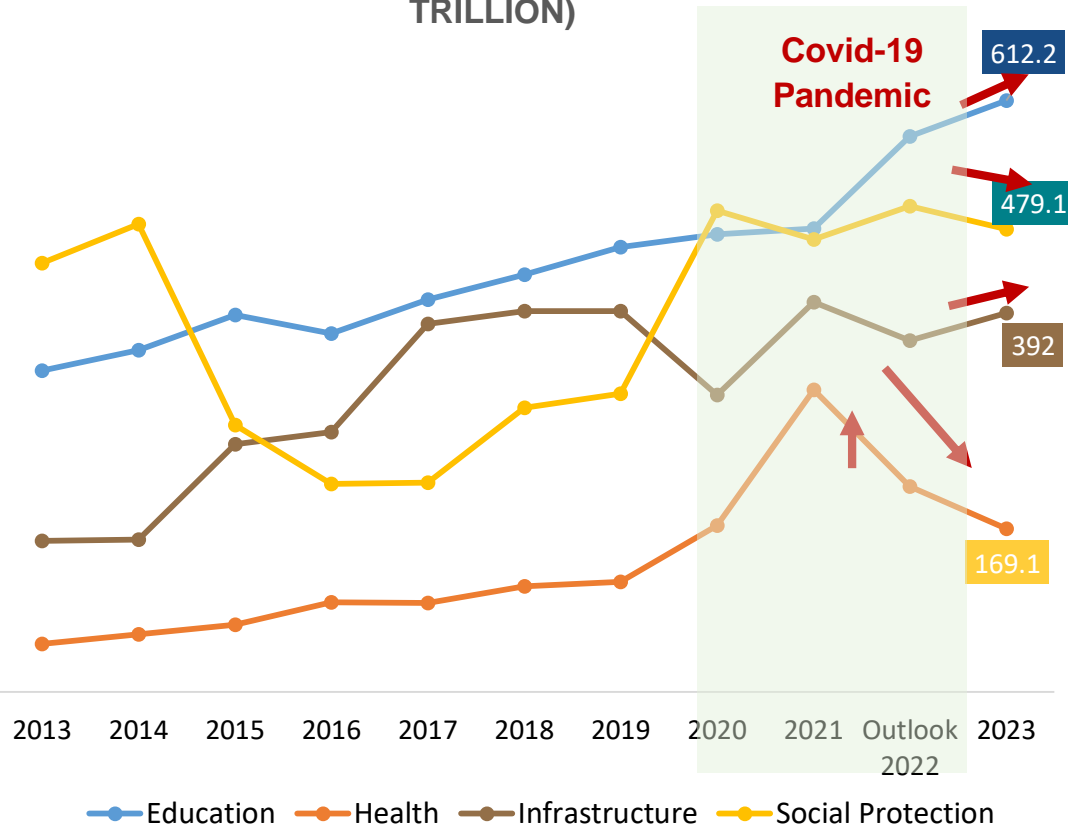
1. Increasing service innovation, strengthening governance, and optimizing productive asset management.
2. Optimizing the management of revenue from natural resources by considering the moderated commodity prices.
3. Improving the performance of SOEs.
4. Expansion of digitization, integration, and service synergy as well as innovation of public services investment funding.



2023 BUDGET PRIORITY TO SUPPORT STRUCTURAL REFORM



BUDGET DEVELOPMENT ON PRIORITY PROGRAM (IDR TRILLION)



% to total budget (avg 2013-2023)	20%	5%	14%	14%
	Education	Health	Infrastructure	Social Protection



EDUCATION

- ✓ To create competitive human capital
- ✓ Increasing access by strengthening compulsory study and expanding access to underdeveloped regions
- ✓ Levelling the quality of education across region
- ✓ Renovation and revitalization education infrastructure
- ✓ Improving teaching factory model



SOCIAL PROTECTION

- ✓ Improving data and targeting system on social protection and subsidy distribution
- ✓ Empowering the poor to escape from poverty
- ✓ Strengthening social protection for all age
- ✓ Strengthening adaptive social protection



SOCIAL PROTECTION

- ✓ Acceleration on basic infrastructure project
- ✓ Infrastructure and IT access equal distribution
- ✓ Developing infrastructure to support economic transformation
- ✓ Integrating financing between government and PPP scheme
- ✓ Supporting the strategic national project



HEALTH

- ✓ To support health system transformation: focusing on preventive measures
- ✓ Strengthening universal health insurance and premium subsidy (PBI) for the poor
- ✓ Acceleration reducing stunting prevalence program
- ✓ increasing the vigilance of health services

Source: Ministry of Finance



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THANK YOU

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