



MINISTRY OF FINANCE
REPUBLIC OF INDONESIA

RECENT MACROECONOMIC AND FISCAL UPDATE

MINISTRY OF FINANCE
December 2022



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01



GLOBAL UPDATE & RISKS



ASIDE PANDEMIC, VARIOUS DOWNSIDE RISK OVERSHADOW GLOBAL ECONOMY PROSPECT



**COVID-19
Cases
Increase**



**Geopolitical
Tension**



**Supply Chain
Disruption**



**Persistent
High
Inflationary
Pressures**



**Monetary Policy
and Liquidity
Tightening**



**Financial
Contagion /
Stress**



**Food
Insecurity**



**Fragmentation of
Global Trade,
Investment, and
Financial Networks**



**Climate and
Weather
Related
Disasters**



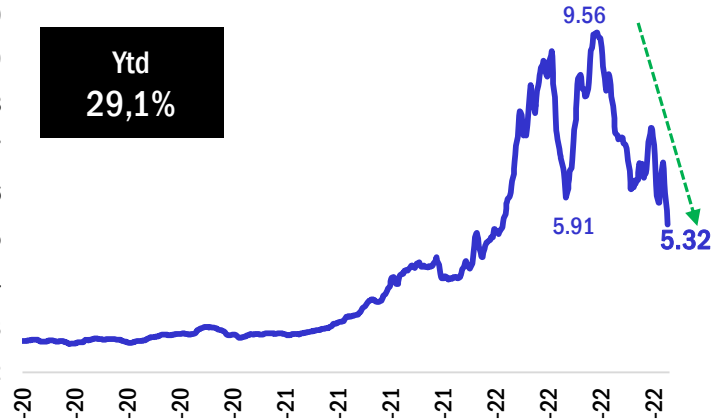
**Dimmer Global
Medium-term
Growth Prospect**



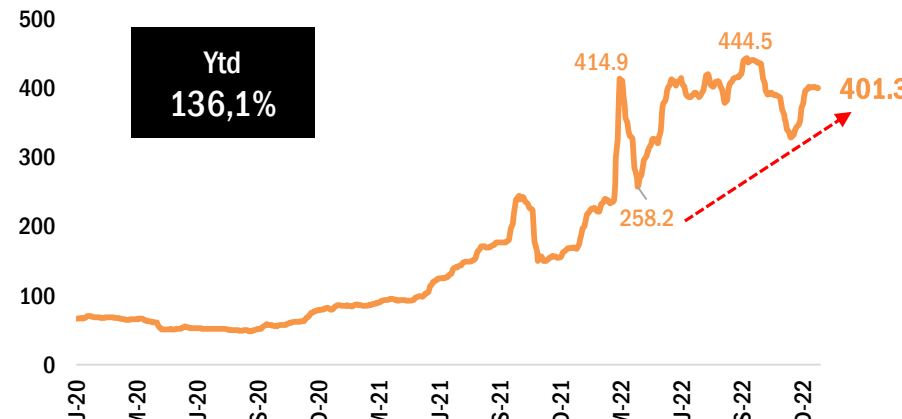
COMMODITY PRICES HAVE BEEN VOLATILE, WITH SOME REMAINED RELATIVELY HIGH

Natural gas prices are in a slowing trend as demand begins to weaken; oil is increasing since the second week of December; while coal is still relatively high.

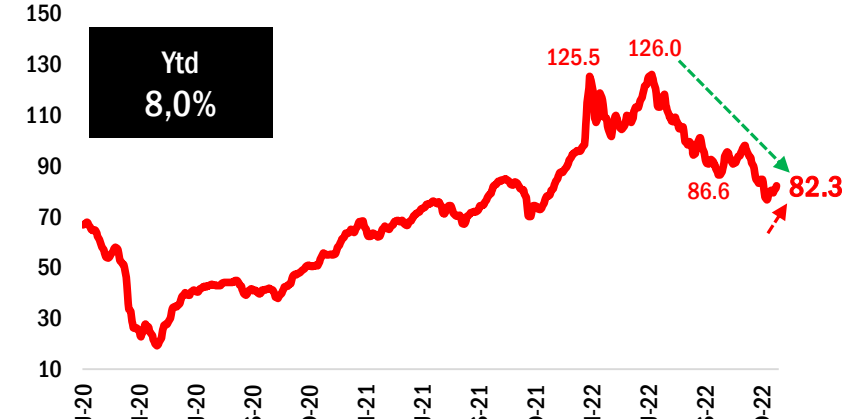
Natural Gas 5dma (US\$/MMBtu)



Coal 5dma (US\$/Metric Ton)

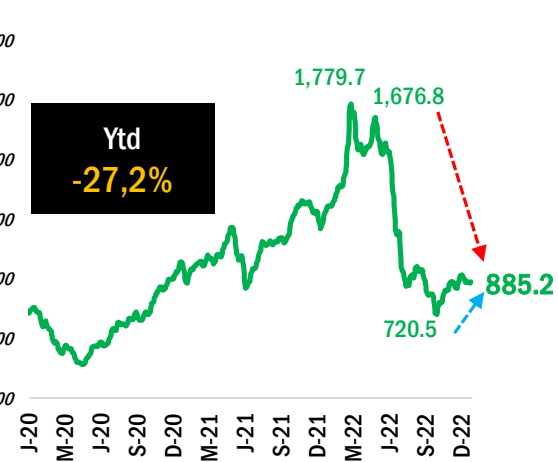


Brent 5dma (US\$/barrel)

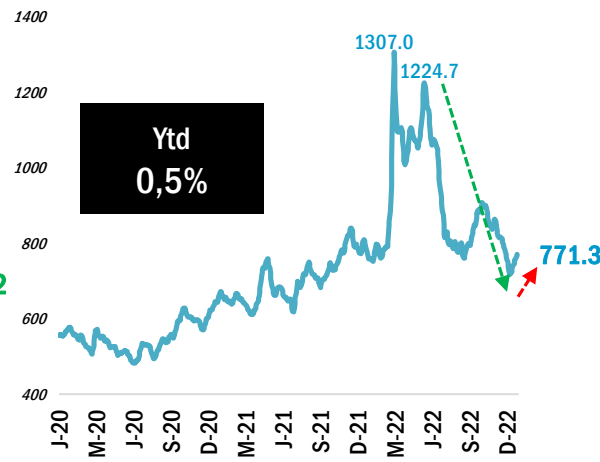


CPO price's is upticking, while wheat price, corn and soybean are in upward trend welcoming the holiday season and due to the weather.

CPO 5dma (US\$/Ton)



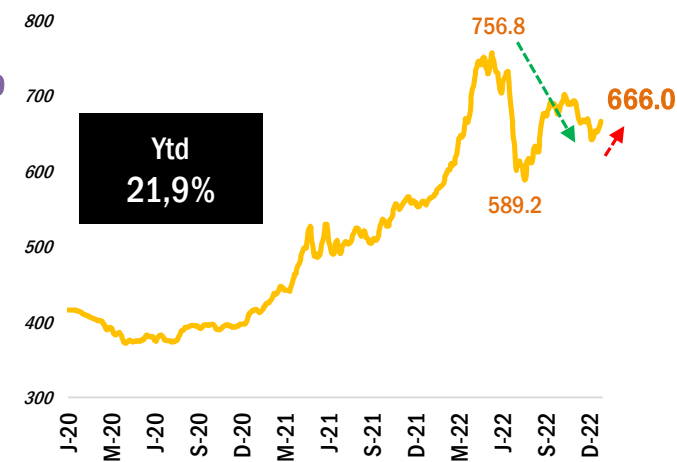
Wheat 5dma (US\$/Bushels)



Soybean 5dma (US\$/bu.)



Corn 5dma (US\$/Bushels)



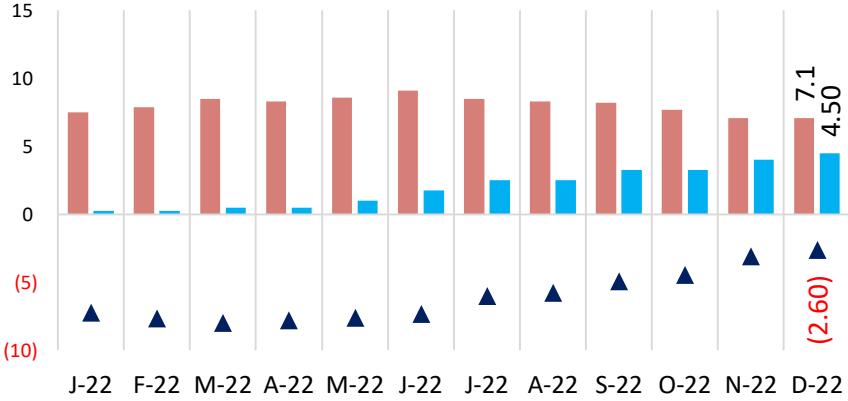


HIGH INFLATIONARY PRESSURES HAVE PROMPTED SHARP POLICY RATE HIKES IN MANY COUNTRIES

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

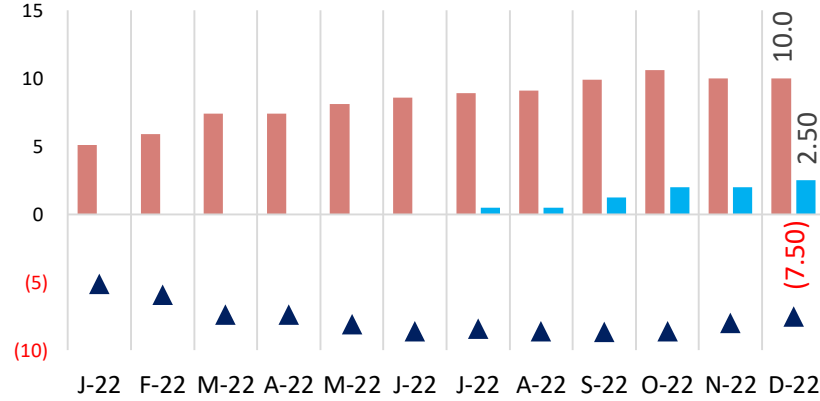
USA

■ Inflation ■ Policy Rate ▲ Real Int. Rate



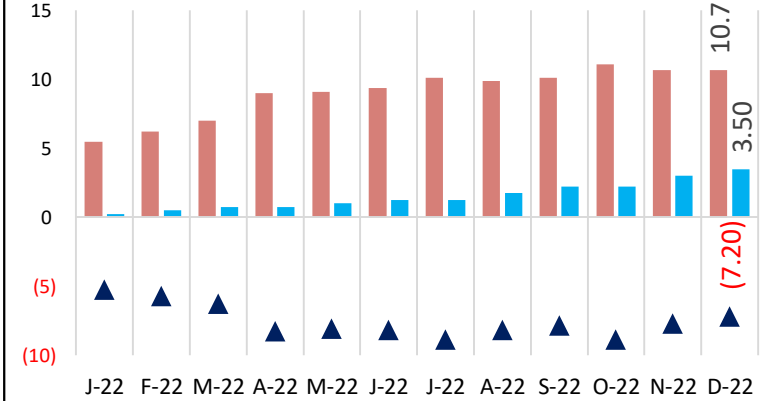
Eurozone

■ Inflation ■ Policy Rate ▲ Real Int. Rate



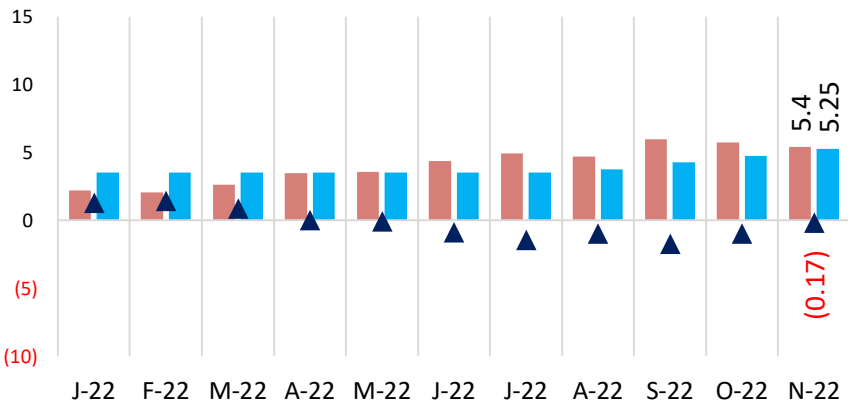
United Kingdom

■ Inflation ■ Policy Rate ▲ Real Int. Rate



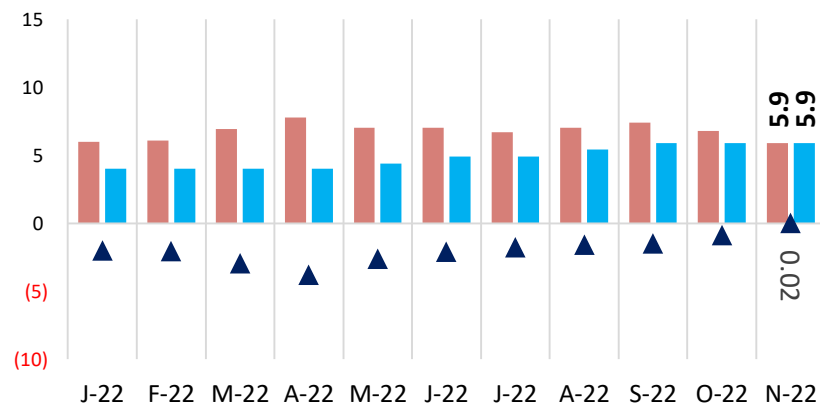
Indonesia

■ Inflation ■ Policy Rate ▲ Real Int. Rate



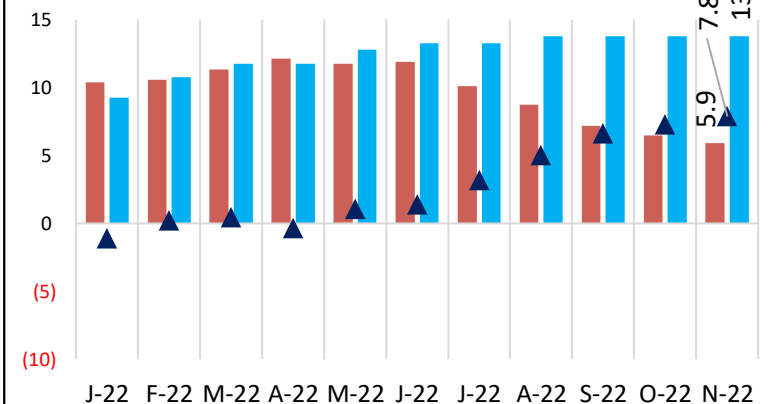
India

■ Inflation ■ Policy Rate ▲ Real Int. Rate



Brazil

■ Inflation ■ Policy Rate ▲ Real Int. Rate



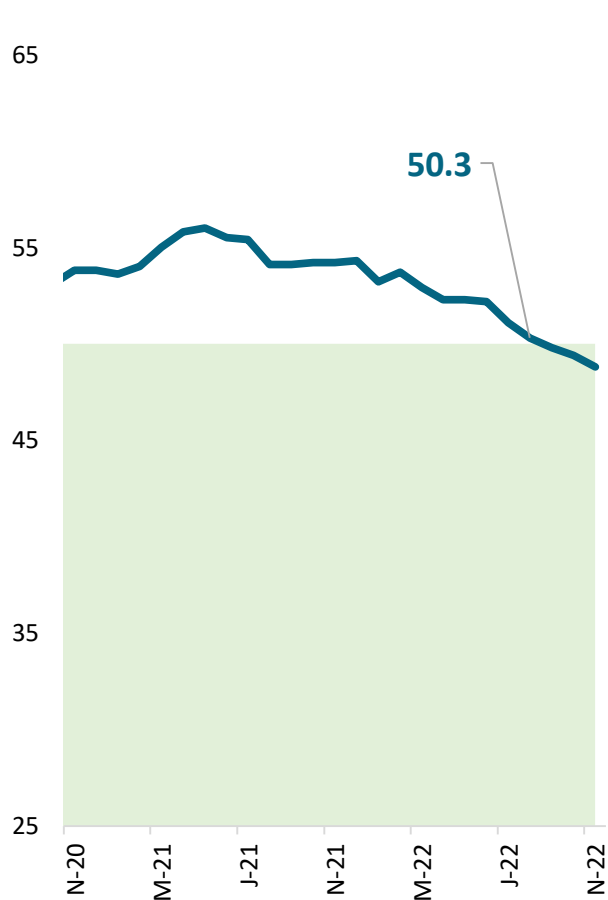


GLOBAL MANUFACTURING PMI SLIPS FURTHER INTO CONTRACTION TERRITORY

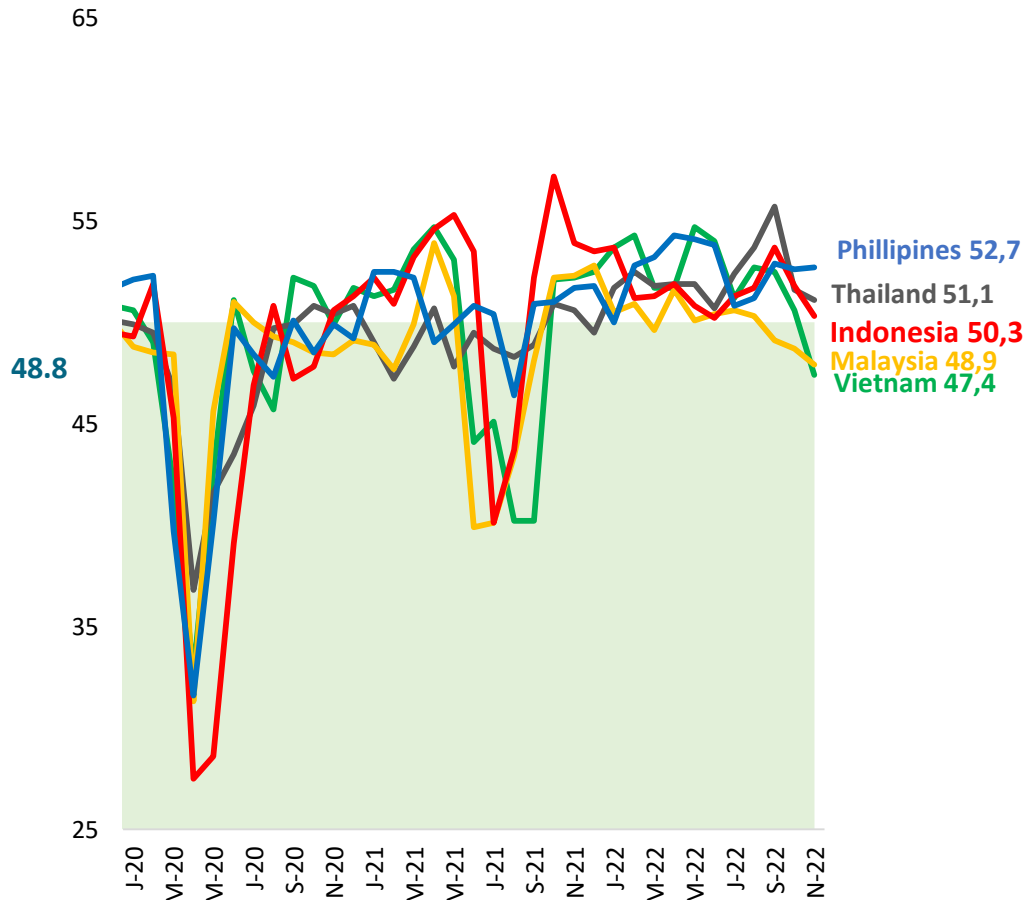
Manufacturing PMI in Indonesia remains in expansion zone though slowed down from previous month

PMI MANUFAKTUR AS OF NOVEMBER 2022

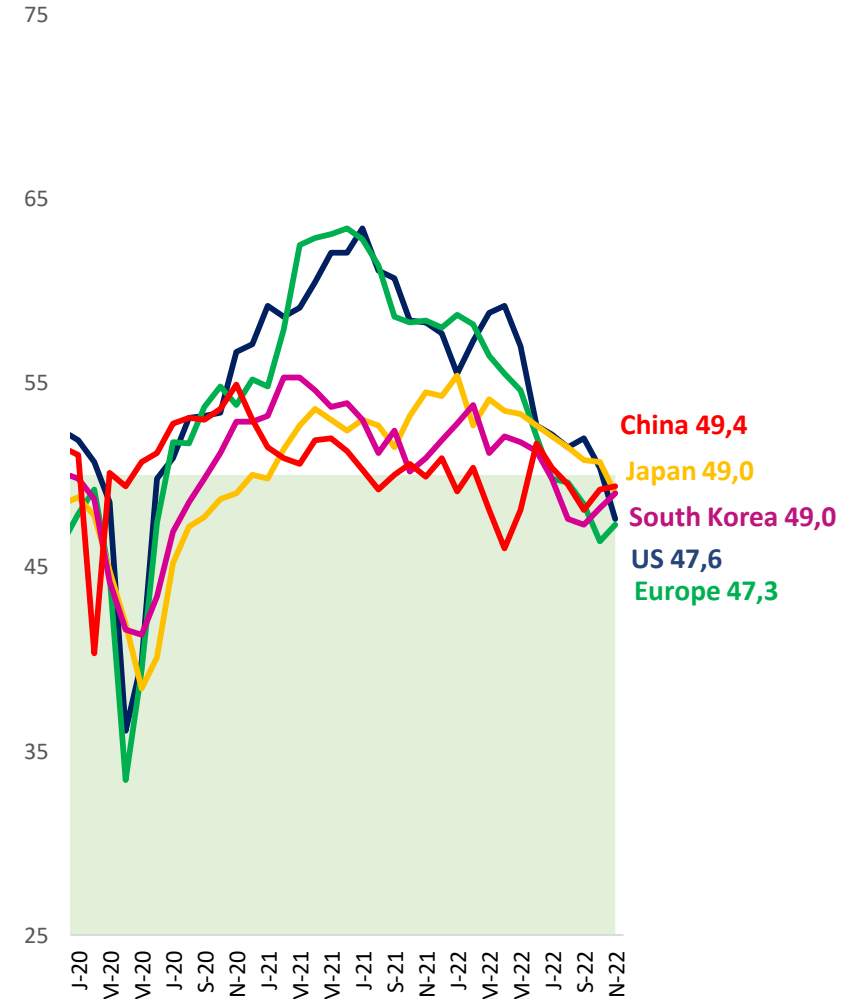
Global



ASEAN



Major Countries

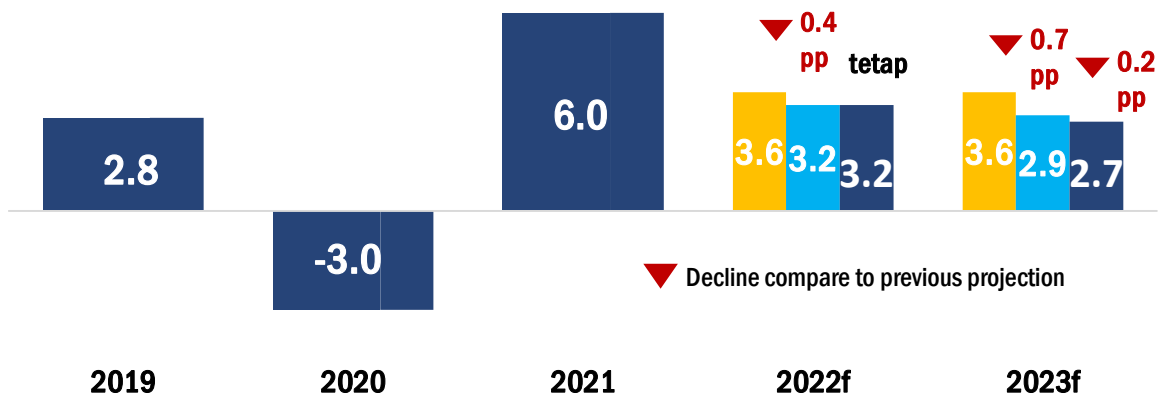




GLOBAL ECONOMIC PROSPECT HAS WEAKENED WITH HIGH UNCERTAINTY

Global Economic Growth Projection IMF, % *yoj*

■ IMF WEO April ■ IMF WEO Juli ■ IMF WEO Okt



- **Lower global economic growth projection** was due to persistent high inflationary pressures, aggressive monetary policy tightening, war in Ukraine, and Covid-19 impact in China.
- **The risk of recession increases**, the IMF predicts that 43% of countries in the world (contributing more than 1/3 of the world's GDP) will experience a technical recession in the period 2022-2023.
- **Downside risks significantly soared:** under/over-tightening policies, strengthening US dollar, longer-lasting inflationary pressures, debt pressures in vulnerable developing countries, European energy crisis, worsening of China's property sector crisis, global economic fragmentation, weakening international cooperation

Various Countries Growth Projection by IMF, % *yoj*

Countries	2019	2020	2021	WEO IMF (October)			
				2022f		2023f	
World	2.8	-3.0	6.0	3.2	Unchanged compared July forecast	2.7	↓ 0.2 pp
Advance Economies	1.7	-4.4	5.2	2.4	↓ 0.1	1.1	↓ 0.3
United States	2.3	-3.4	5.7	1.6	↓ 0.7	1.0	Unchanged
Europe Zone	1.6	-6.1	5.2	3.1	↑ 0.5	0.5	↓ 0.7
Emerging Market	3.6	-1.9	6.6	3.7	↑ 0.1	3.7	↓ 0.2
China	6.0	2.2	8.1	3.2	↓ 0.1	4.4	↓ 0.2
Indonesia	5.0	-2.1	3.7	5.3	Unchanged	5.0	↓ 0.2
India	3.7	-6.6	8.7	6.8	↓ 0.6	6.1	Unchanged

Global Inflation Projection

2022
8.8% (↑ 0.5 pp)

2023
6.5% (↑ 0.8 pp)

Source: WEO IMF July and October 2022, processed



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02

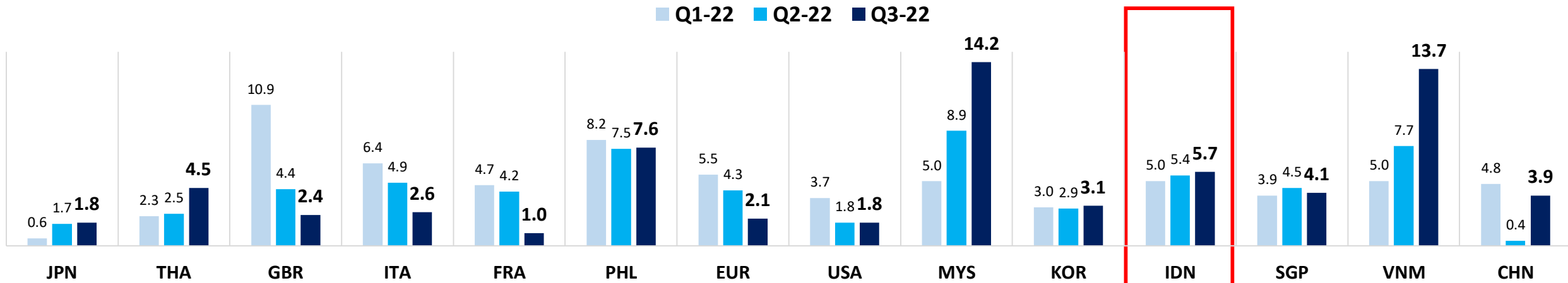


INDONESIAN ECONOMIC OVERVIEW

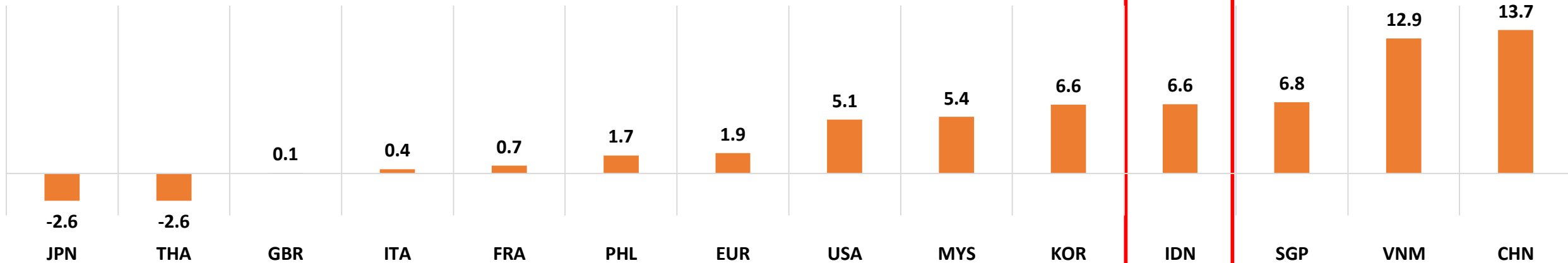


INDONESIA'S RECOVERY IS ONE OF THE STRONGEST AMONGST G-20 DAN ASEAN-6 COUNTRIES

Economic Growth 2022 (% ,yoy)



Comparison Cumulative Real GDP Q1-Q3 2022 to Pre-Pandemic Level 2019 (%)

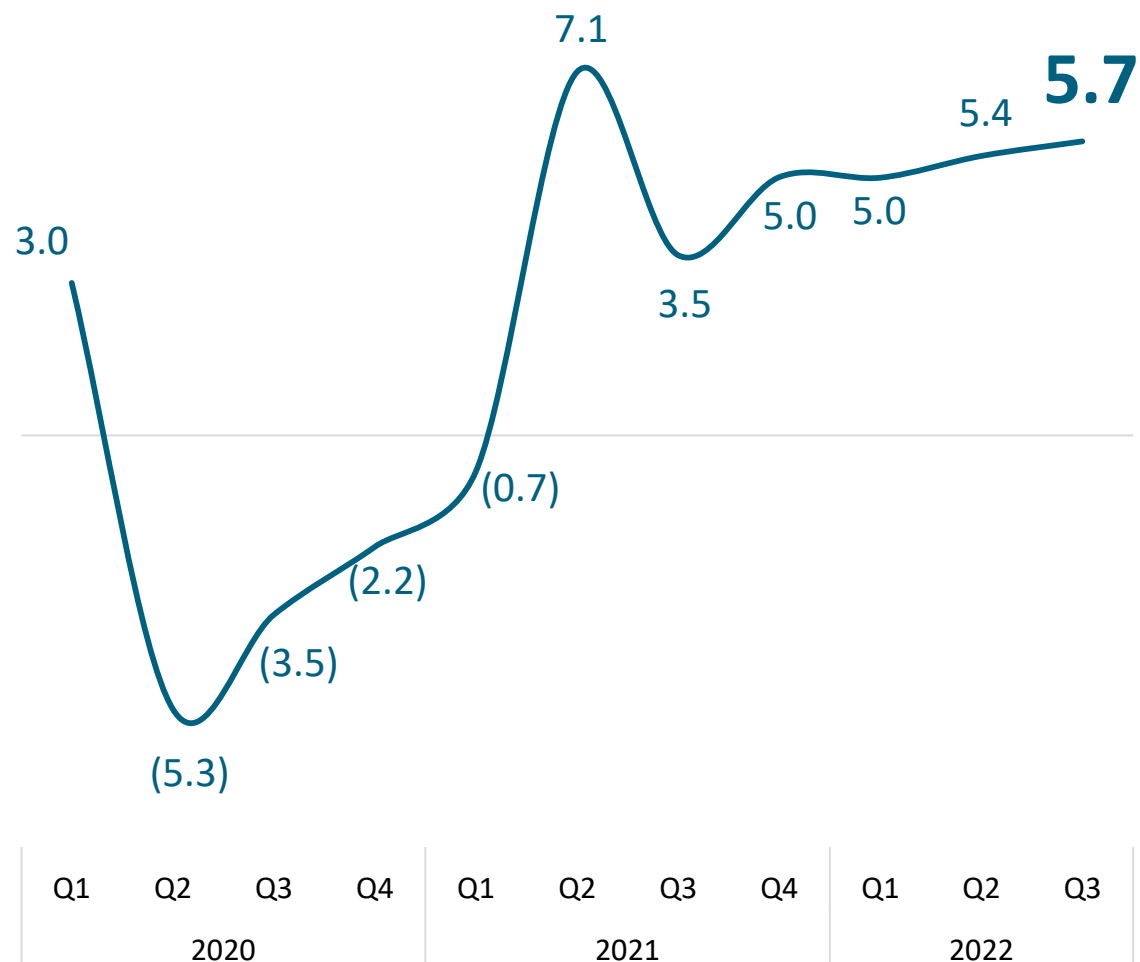


Sources: Bloomberg, CEIC, and Trading Economics, processed



NATIONAL ECONOMIC RECOVERY CONTINUES IN QUARTER III 2022

Indonesia's economic expansion accelerates amidst increasing global economic uncertainty



Source: Indonesia Statistics

- **Household consumption** grew relatively high in line with the strong purchasing power of the people, supported by the government's social protection program and maintained inflation rates.
- **Government consumption** in the third quarter normalized due to decreasing COVID-19 related spending needs.
- **Investment** grew stronger leads to the economic transformation towards a higher value-added economy, as evidenced by the high growth in investment in machinery and commercial vehicles.
- **Exports** continued hit double-digit growth amidst global turmoil, supported by strong both non-oil & gas and oil & gas exports, such as palm oil, coal and natural gas.
- From the **production side**, economic growth underpinned by the performance of almost all sectors that recorded grew positively in Q3-2022, except the Health Services sector.

Share (% GDP)	Expenditure	2020					2021					2022		
		Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3
50.4	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	5.4
7.6	Gov. Cons.	3.8	-6.9	9.8	1.8	2.0	2.5	8.1	0.6	5.2	4.2	-6.9	-4.9	-2.9
28.6	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	5.0
26.2	Export	0.2	-12.4	-13.0	-6.9	-8.1	6.9	31.5	29.2	29.8	24.0	16.7	20.0	21.6
(21.7)	Import	-5.4	-20.7	-24.5	-15.8	-16.7	4.4	31.8	29.9	29.6	23.3	15.9	12.4	23.0
	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	5.72

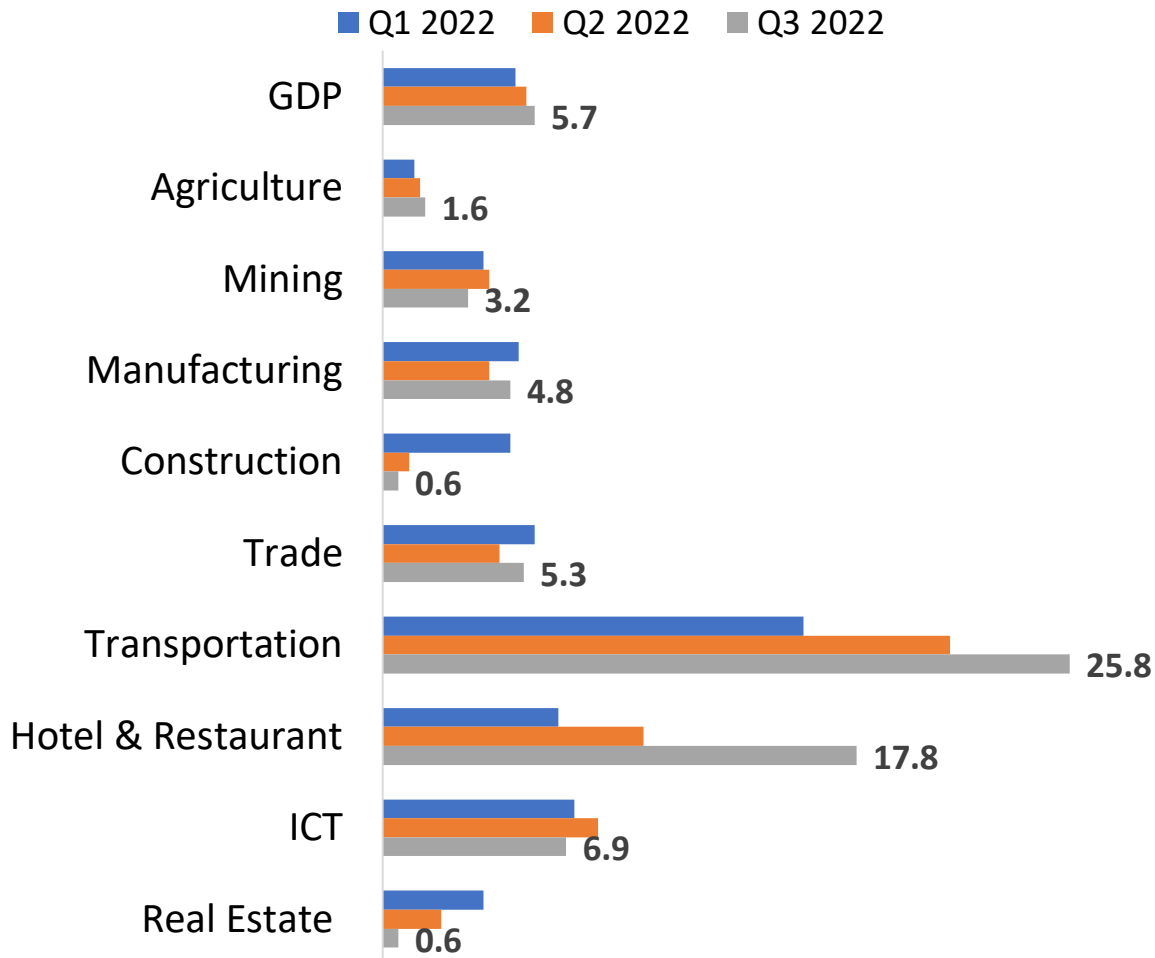


SECTORAL WISE, THE RECOVERY HAS BEEN RELATIVELY BROAD-BASED

Leading sectors are already growing above pre-pandemic levels; the accommodation and restaurant, and transportation sectors experienced double-digit growth

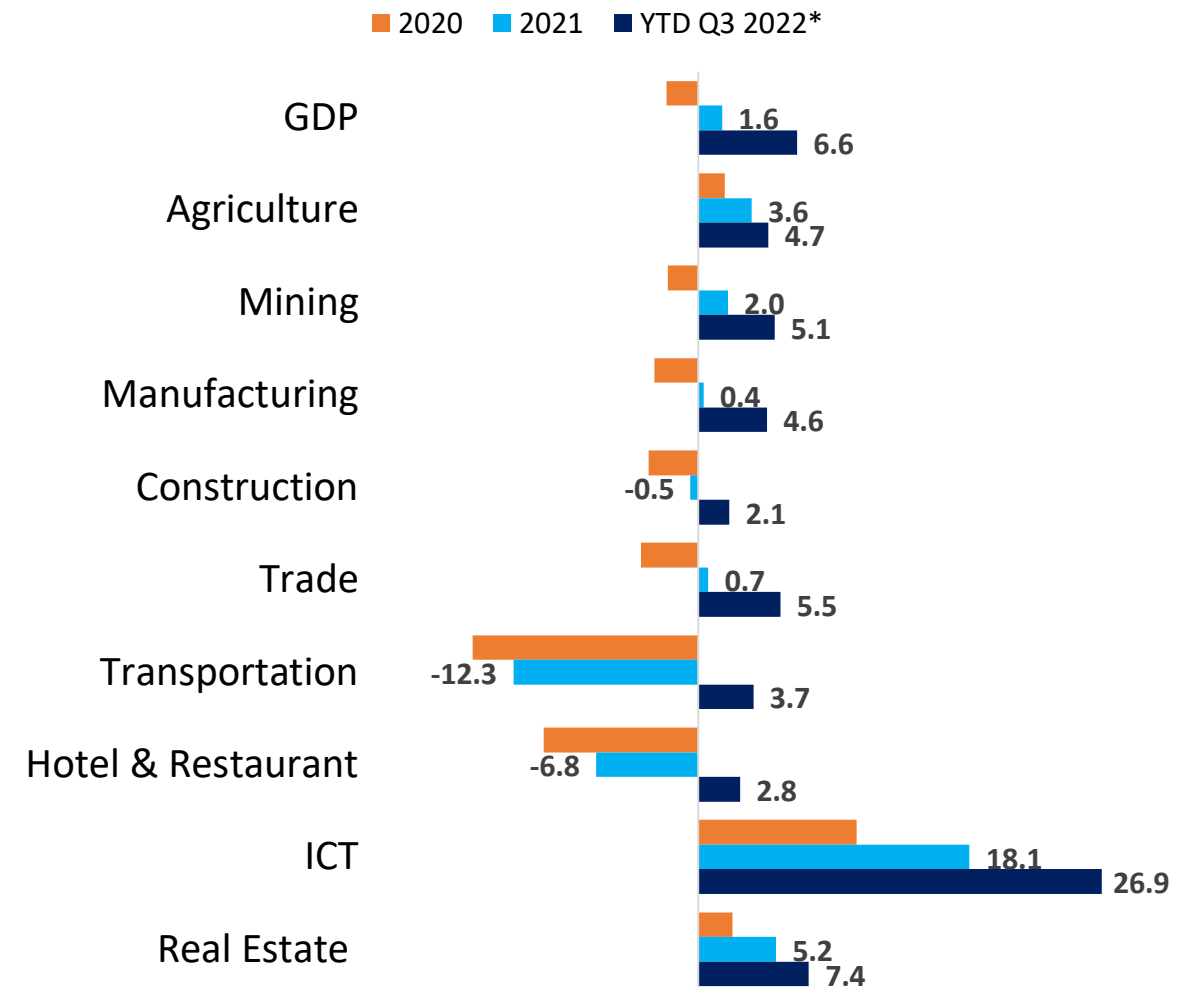
RECOVERY TREND: THE PRODUCTION SIDE

(%, YOY)



REAL GDP LEVELS COMPARING TO 2019 REAL GDP LEVELS

2020 and 2021 (Annually) , 2022 Q1-Q3 (cumulatively)



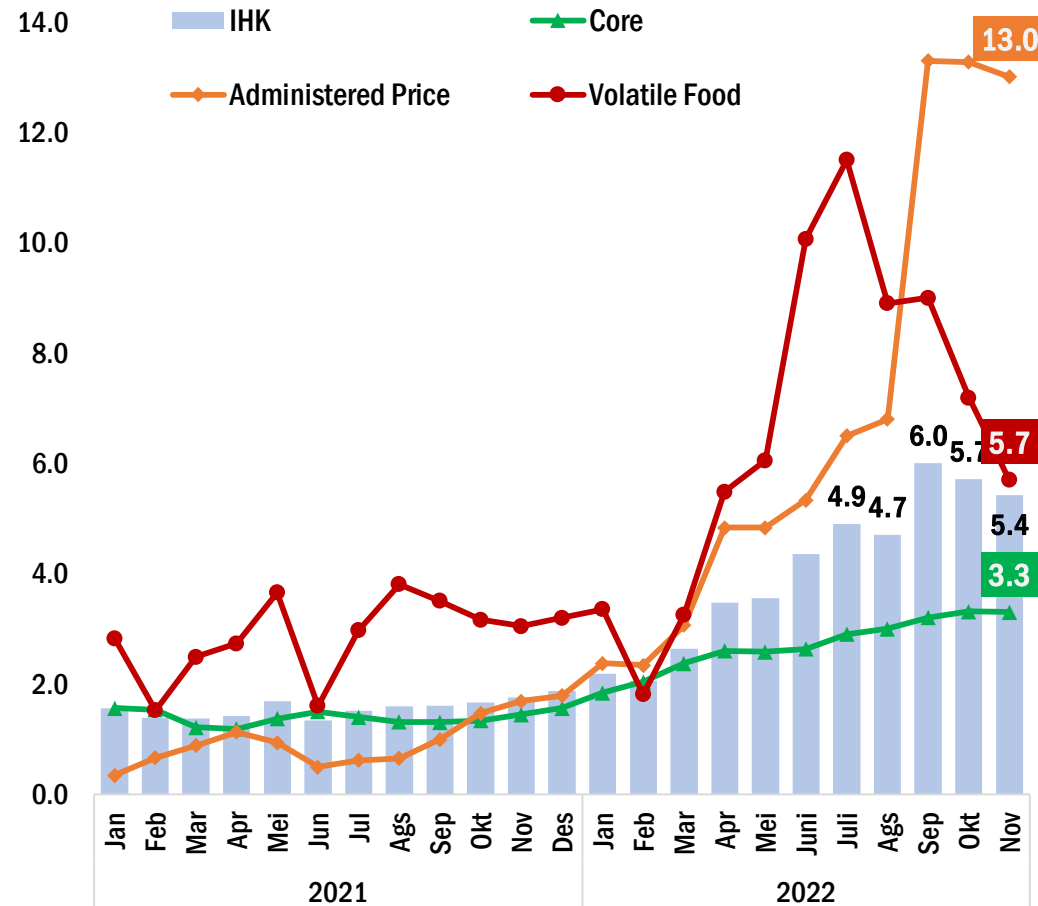


DOMESTIC INFLATION PRESSURE DECREASED BACK IN OCTOBER, DRIVEN BY DECREASING VOLATILE FOOD

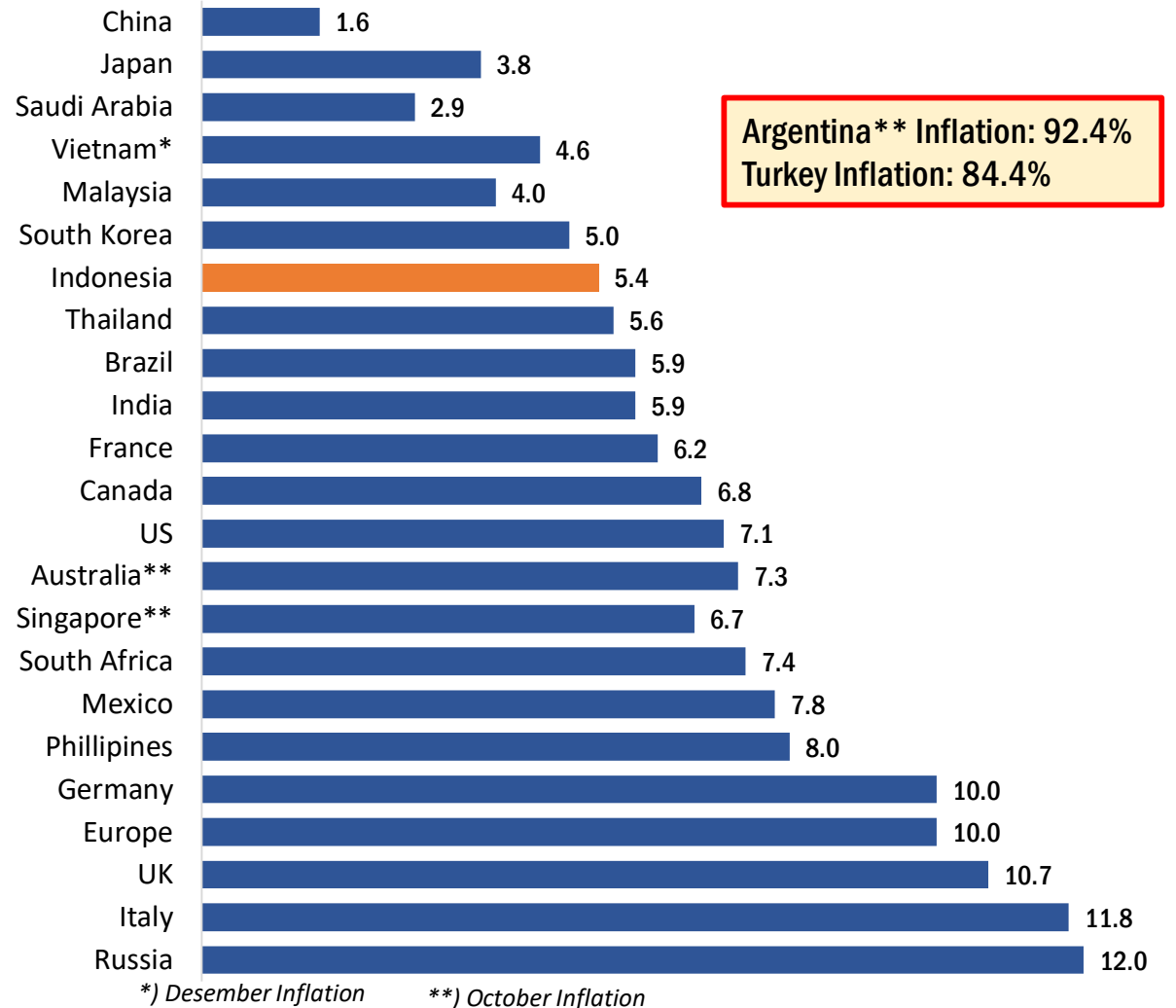
Domestic fuel price adjustment has not induced inflation to surge sharply

INFLATION DYNAMIC BY COMPONENTS

percentage, yoy



INFLATION BY COUNTRIES (NOVEMBER, % YOY)

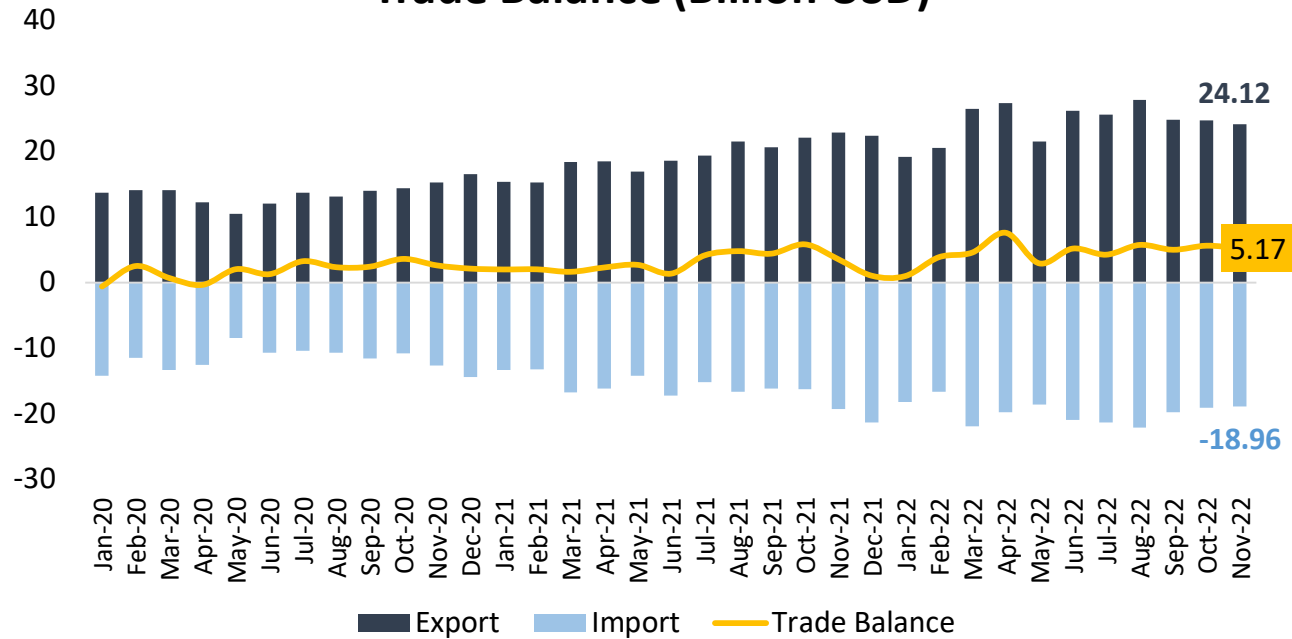




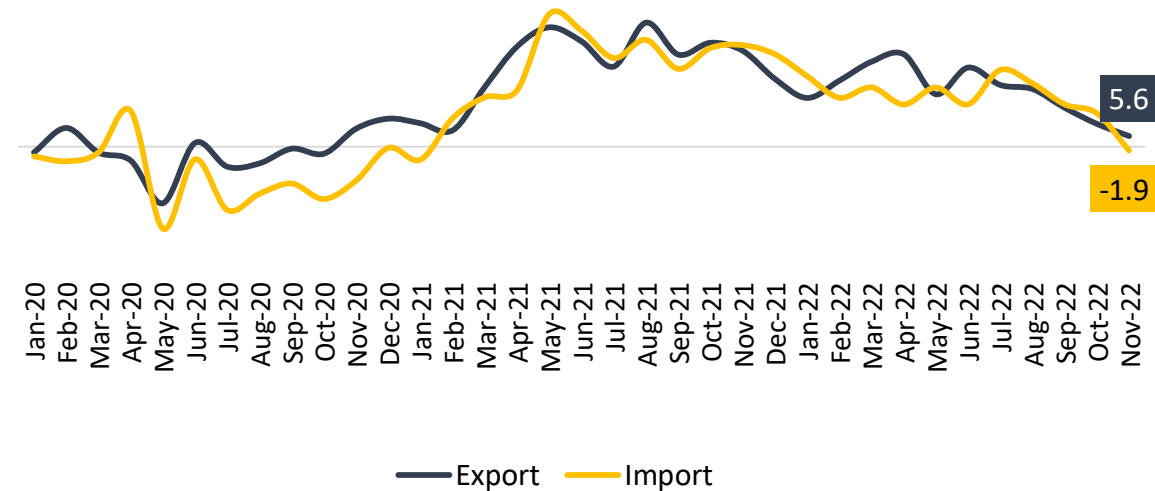
EXTERNAL POSITION CONTINUED TO STRENGTHEN

Export continued to grow strongly amid global economic pressures, while trade surplus has recorded surplus in 31 months in a row

Trade Balance (Billion USD)



Growth of Export & Import (% yoy)



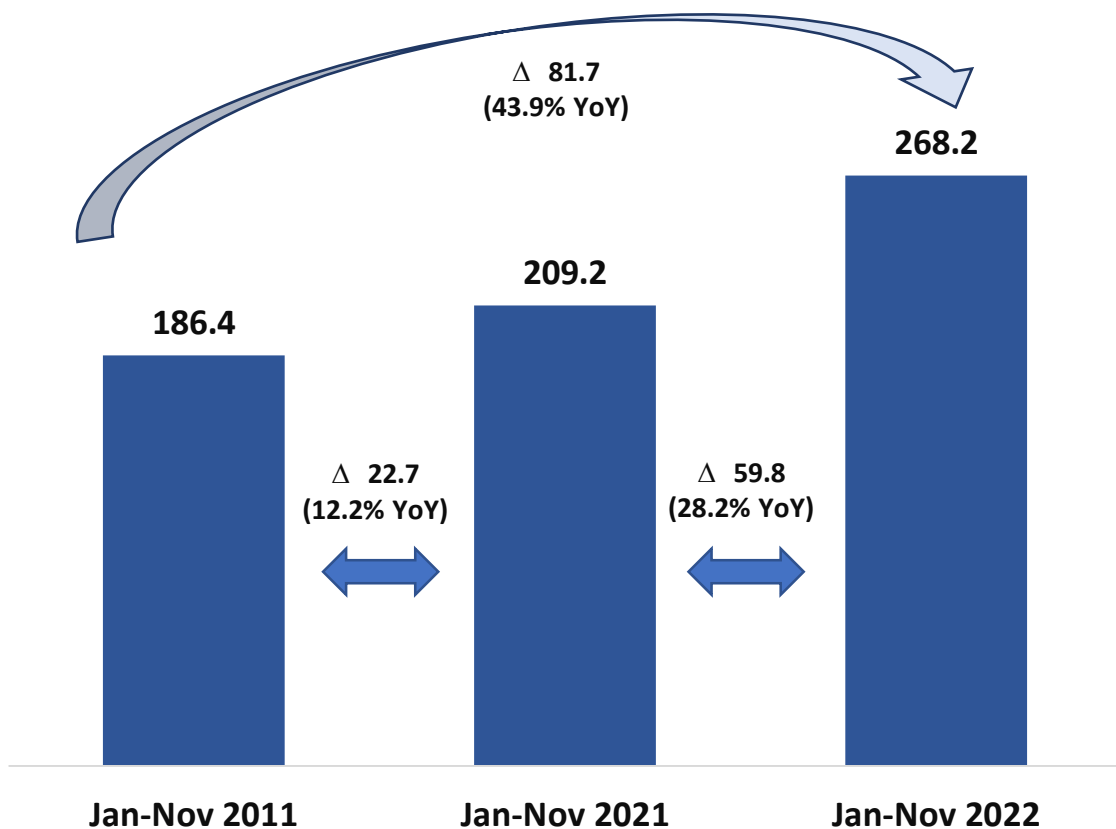
- In November 2022, exports reached USD24.12 billion and imports reached USD18.96 billion.
- Exports still recorded a solid performance, increased by 5.6%, meanwhile, imports contracted by 1.9% (yoy)
- The trade balance in November 2022 recorded a surplus of USD5.17 billion, continued the surplus trend for 31 consecutive months.



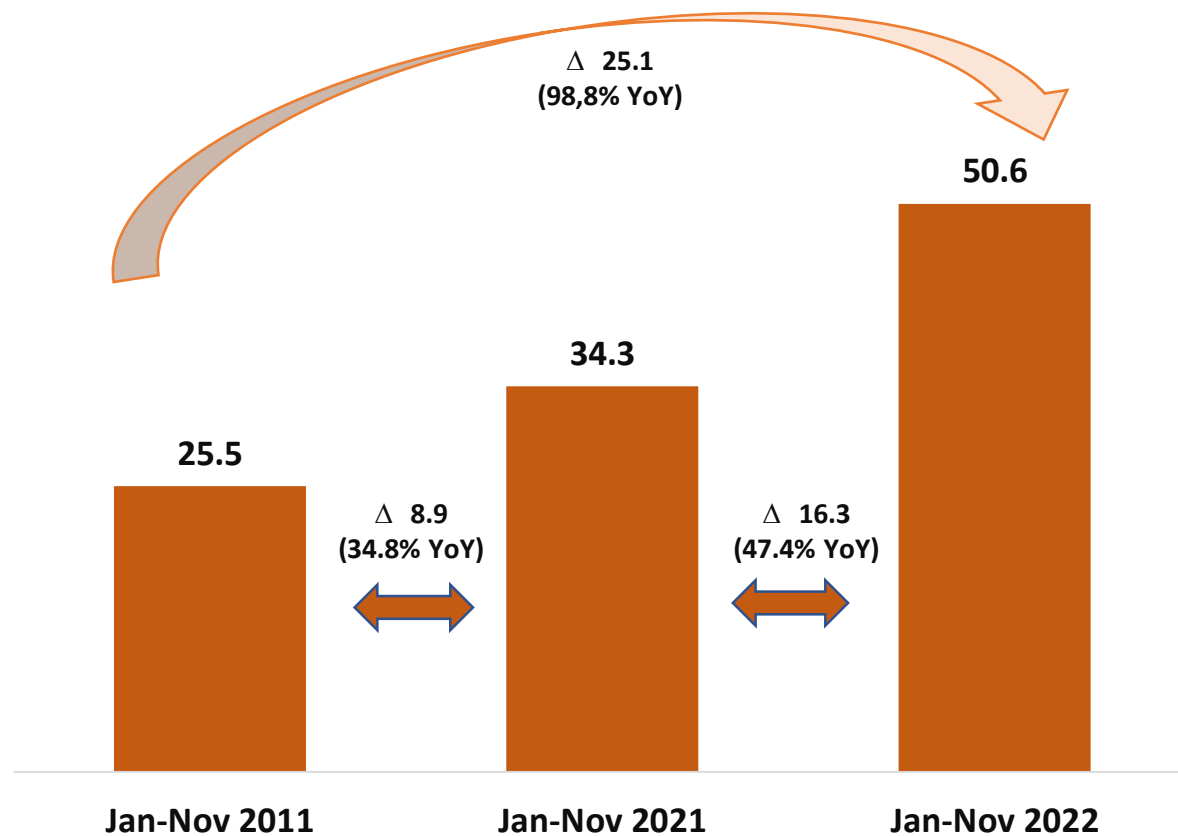
EXPORT AND TRADE BALANCE POSTED A RECORD HIGH IN HISTORY

High commodity prices and down streaming strategy have boosted export performance

Export in Two Different Boom Episodes (USD bn)



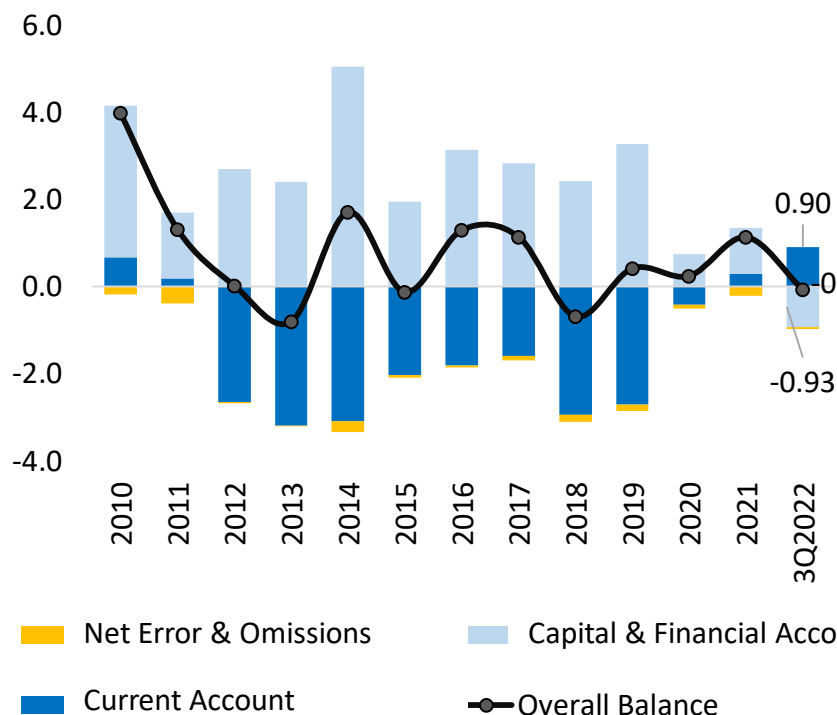
Trade Balance in Two Different Boom Episodes (USD bn)



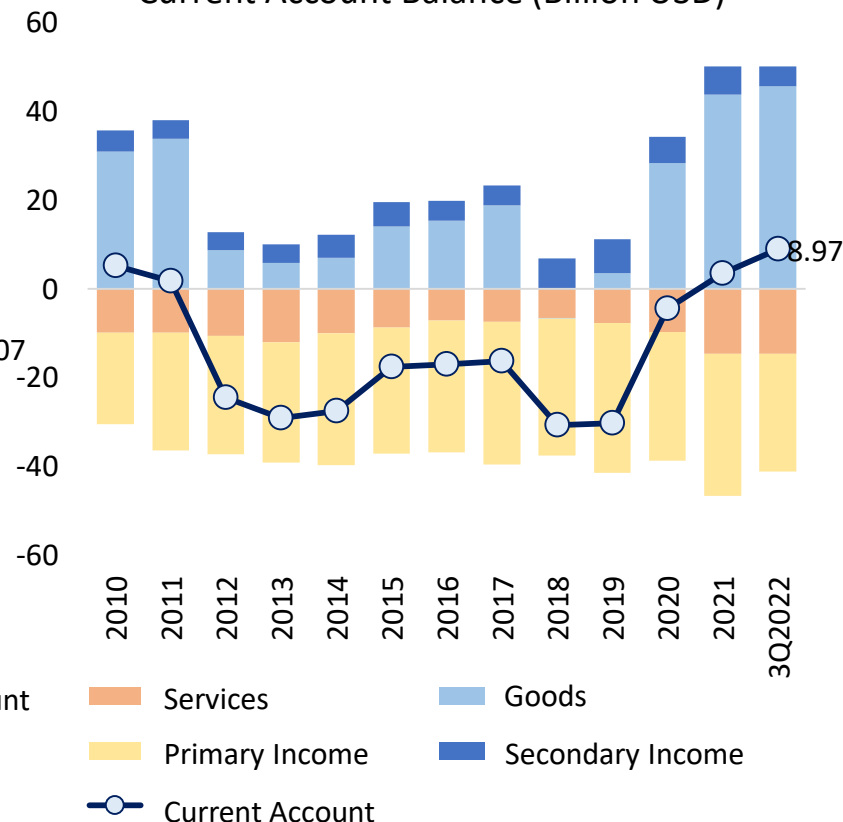


THE CURRENT ACCOUNT SURPLUS IN THE Q3-2022 INCREASED, EXTERNAL RESILIENCE MAINTAINED

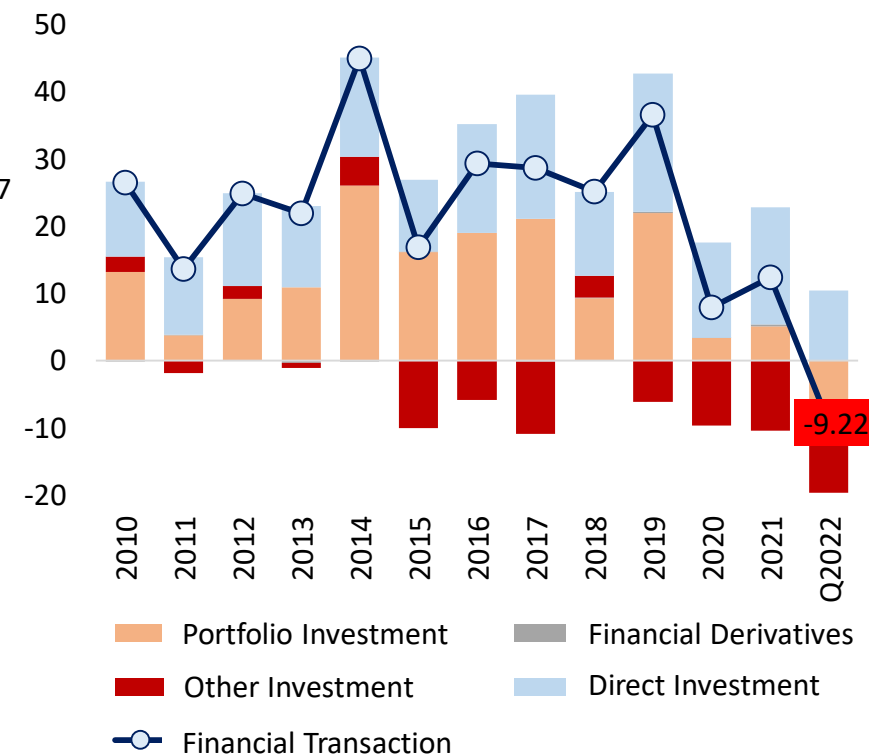
Balance of Payment (% of GDP)



Current Account Balance (Billion USD)



Financial Account Balance (Billion USD)



Balance of Payments (BOP) in the Q3-2022 remained solid, thereby reinforcing external resilience

Current account performance was solid in the Q3-2022, with the surplus continuing an upward trend on the back of stronger non-oil & gas export performance

Despite increasing global financial market uncertainty, **capital & financial account** performance in the Q3-2022 was bolstered by direct investment



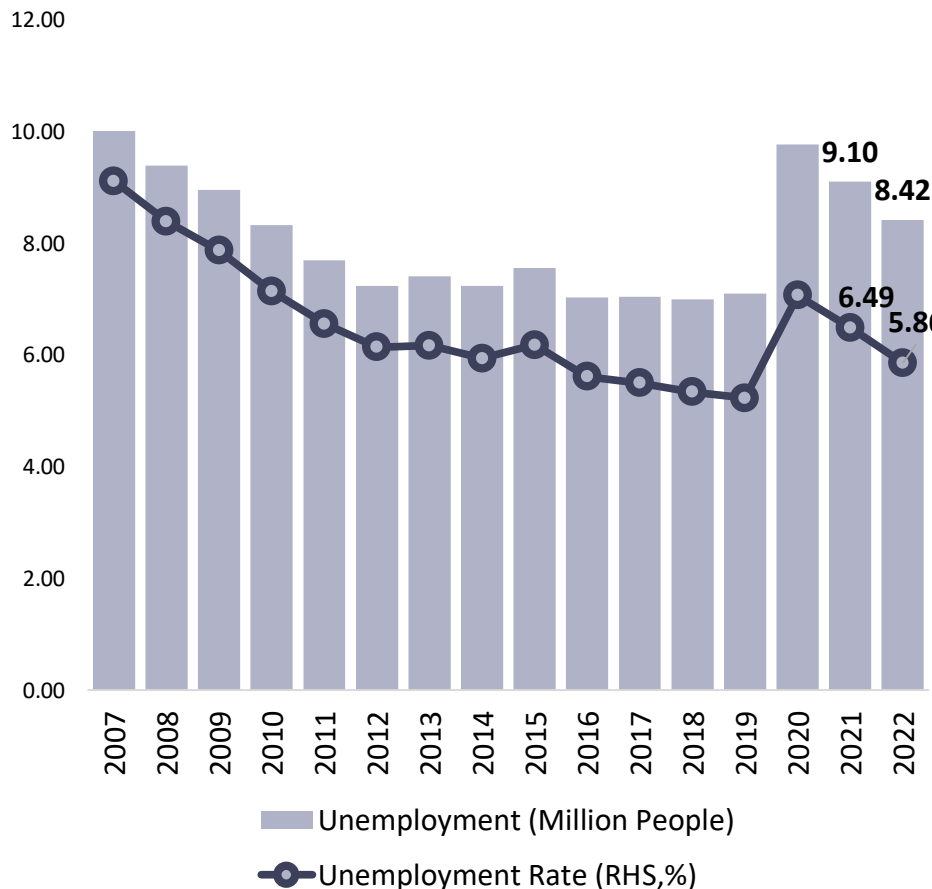
UNEMPLOYMENT AND POVERTY RATE DECLINED WITH ROBUST ECONOMIC RECOVERY

Social Safety Net and other recovery program during pandemic have effectively reduced poverty and employment rates

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

Labor Market

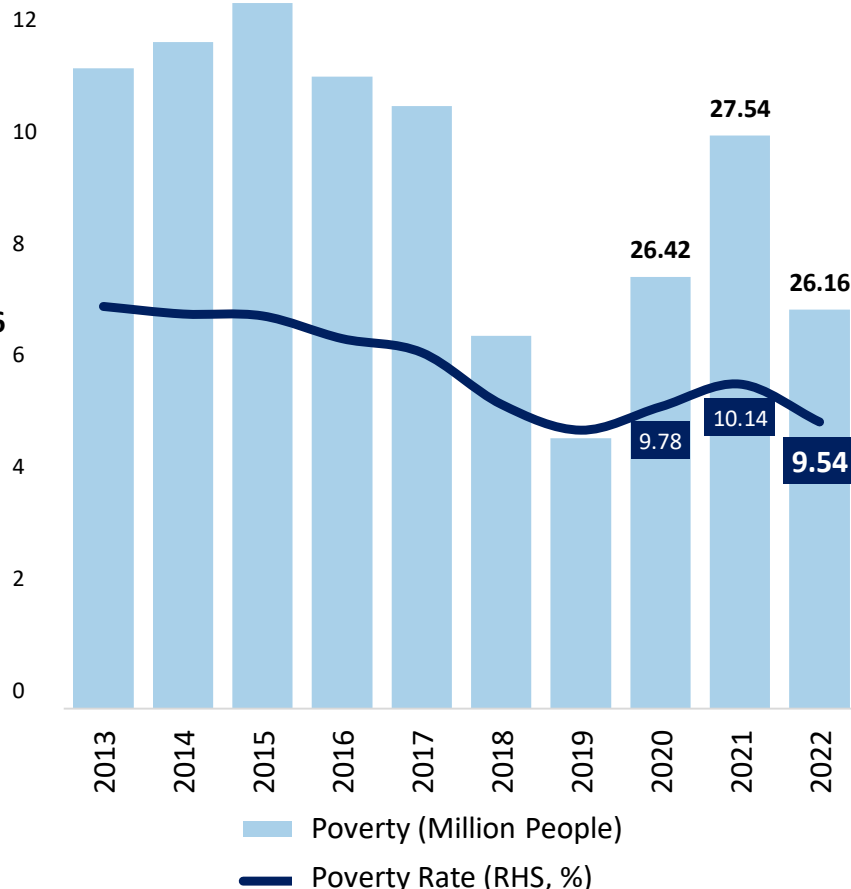
Source: Statistic Indonesia



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

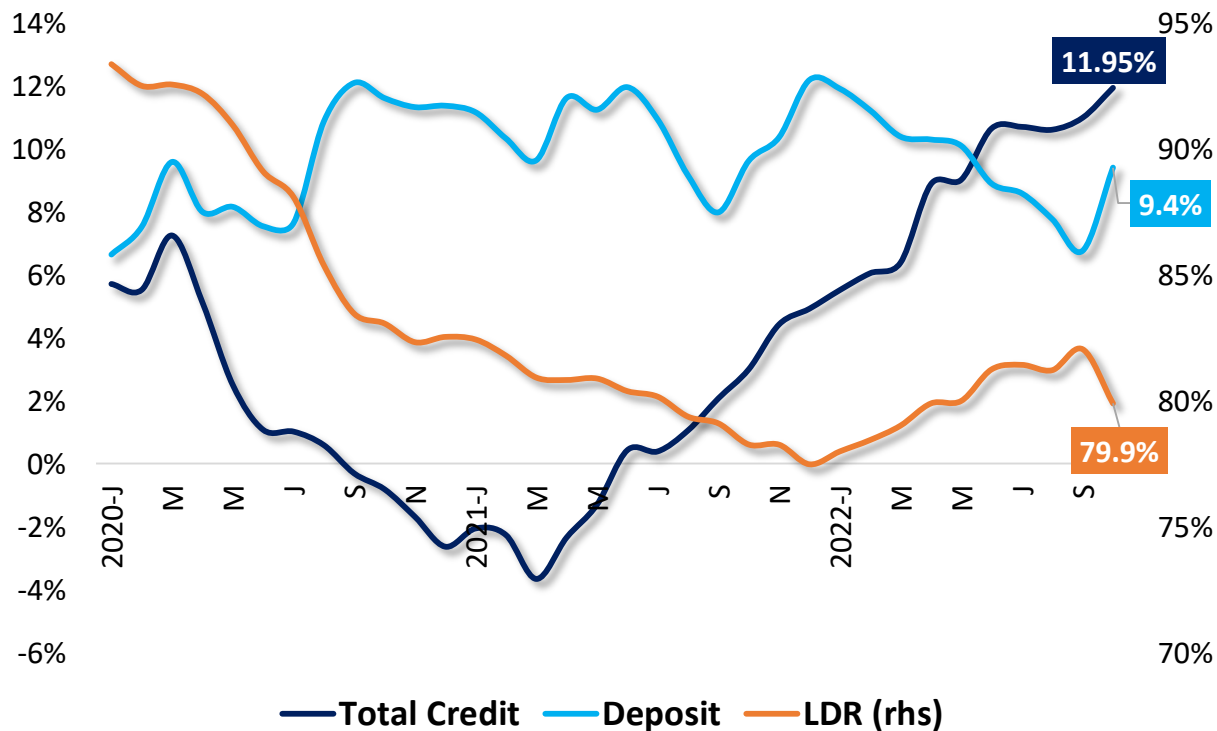
2023 IDR450 Trillion



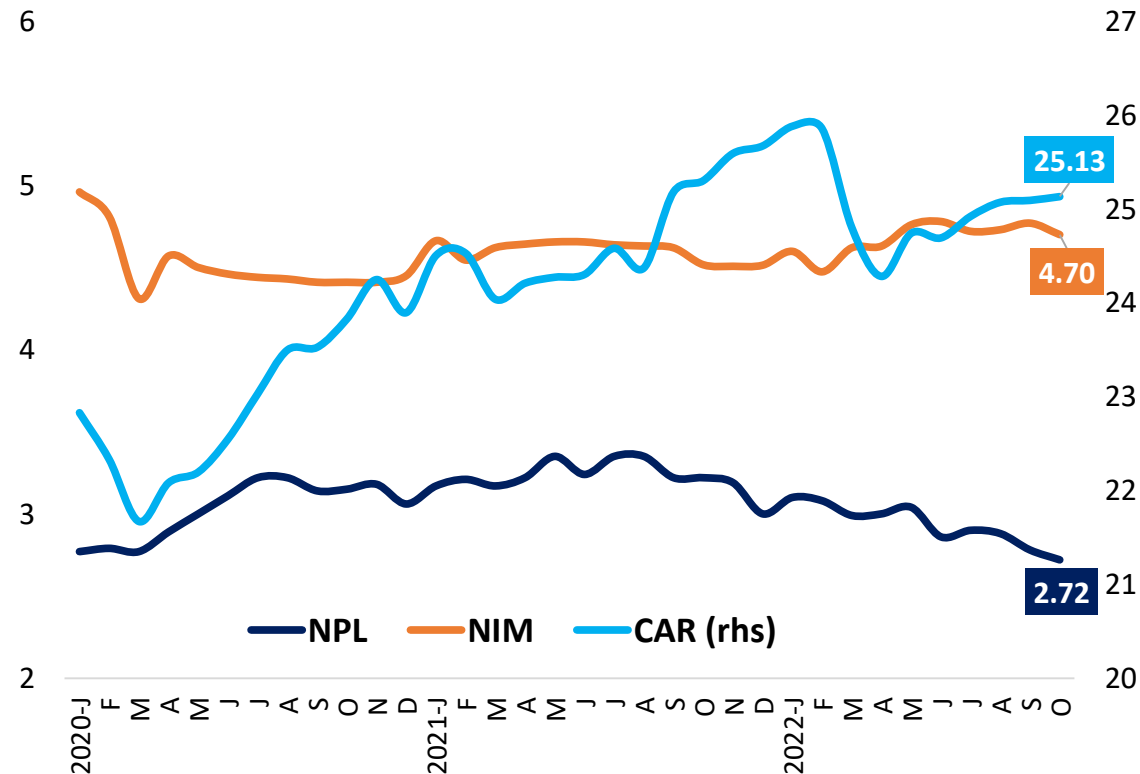
BANKING SECTOR REMAINS RELATIVELY SOLID & WELL - BUFFERED

Credit has continued to grow with stronger economic activities, while credit risk remained relatively low. The capital adequacy ratio in the banking strong is among the highest in the region at around 25%.

Credit, Deposit Growth & LDR



Banking Performance Indicator (%)



Source: Bank Indonesia, OJK



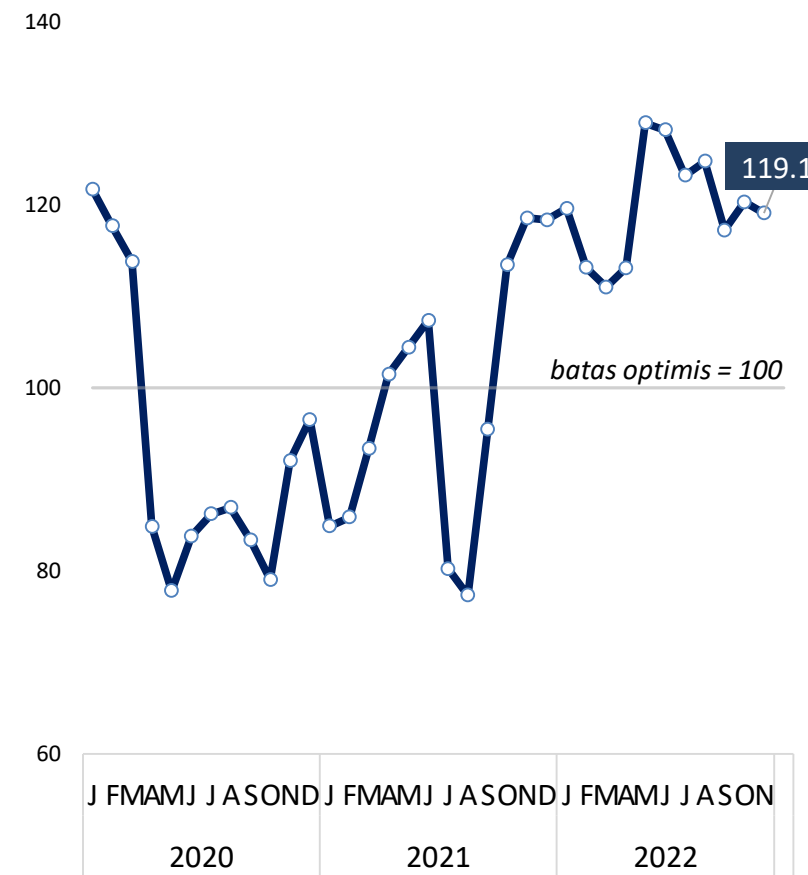
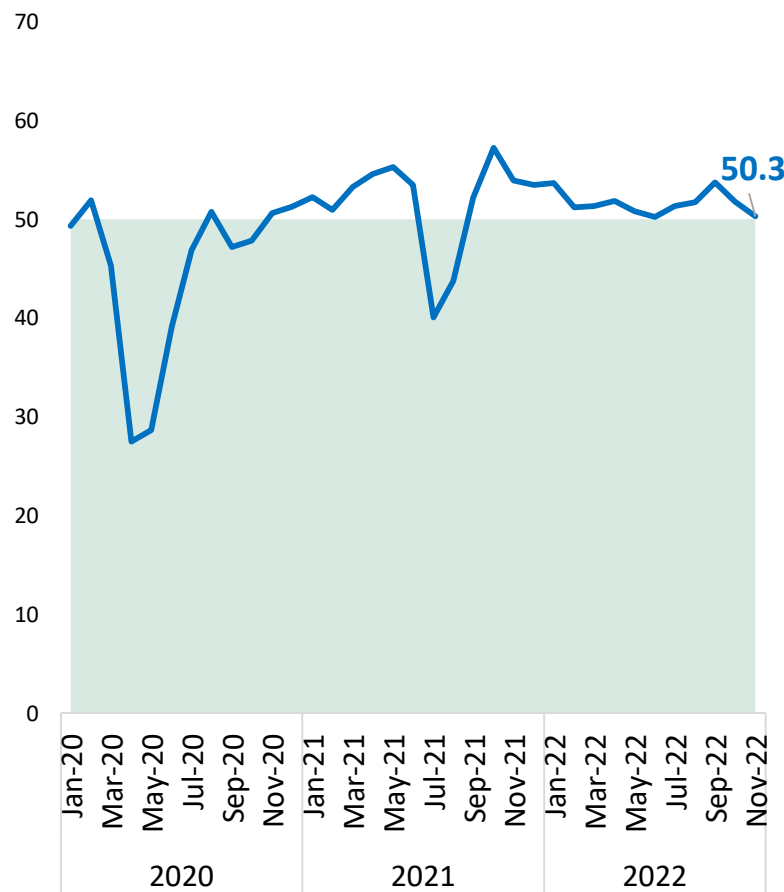
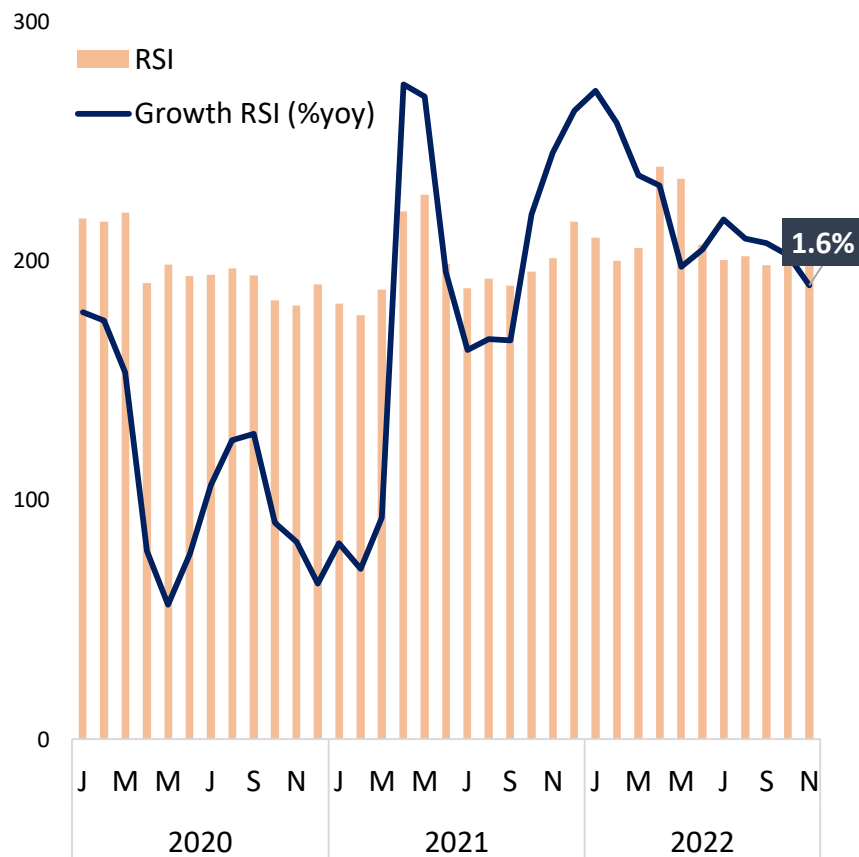
THE SHORT-TERM ECONOMIC GROWTH PROSPECTS ARE RELATIVELY STRONG

Several leading indicators of economic activity are still quite robust

The Retail Sales Index continues to grow strongly in line with increased domestic economic activity

The PMI Manufacturing Index is still in the expansion zone, continuing its expansion trend for 15 consecutive months

The Consumer Confidence Index remains in the optimistic zone



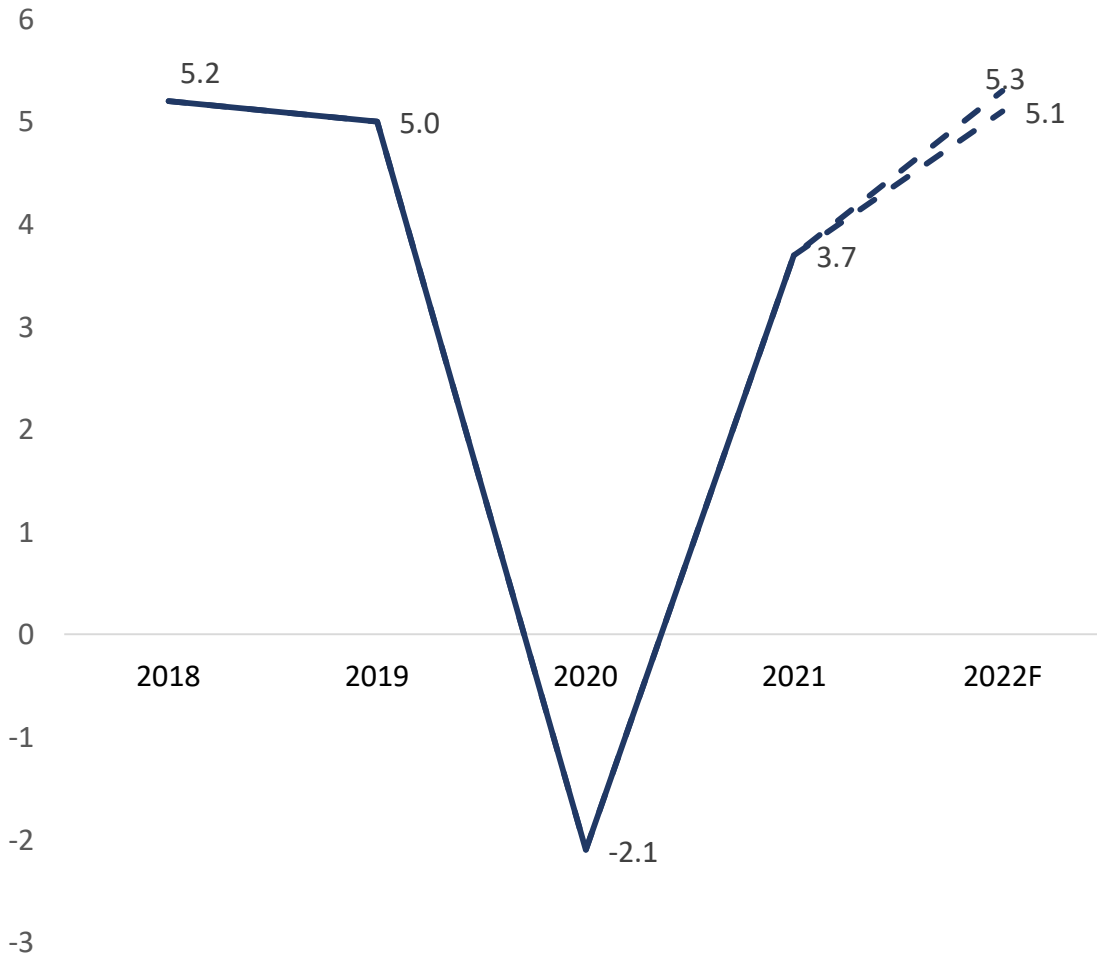


GROWTH IS EXPECTED TO REMAIN STRONG IN 2023

Global Uncertainties needs to be anticipated and the impact to the domestic economy needs to be mitigated.

Annual Economic Growth Outlook (% , yoy)

Sources: BPS, forecast



Economic Growth Outlook (% , yoy)

	2022	2023
IMF (WEO Oct)	5.3	5.0
World Bank (IEP Dec)	5.2	4.8
ADB (ADO Update Sept)	5.4	5.0
Bloomberg Consensus (Nov)	5.3	4.9
OECD (Nov)	5.3	4.7

- Pandemic situation is getting more manageable and the gradual easing of social restrictions potentially encourage public consumption
- Although faced with high global uncertainties, Indonesia's exposure to the external is relatively moderate, given the high domestic demand
- Banking liquidity is relatively ample to support consumption and investment activities
- However, the risk of global economic slow down along with global monetary tightening still need to be anticipated
- The government will continue to coordinate closely with relevant institutions and authorities to maintain domestic economic stability

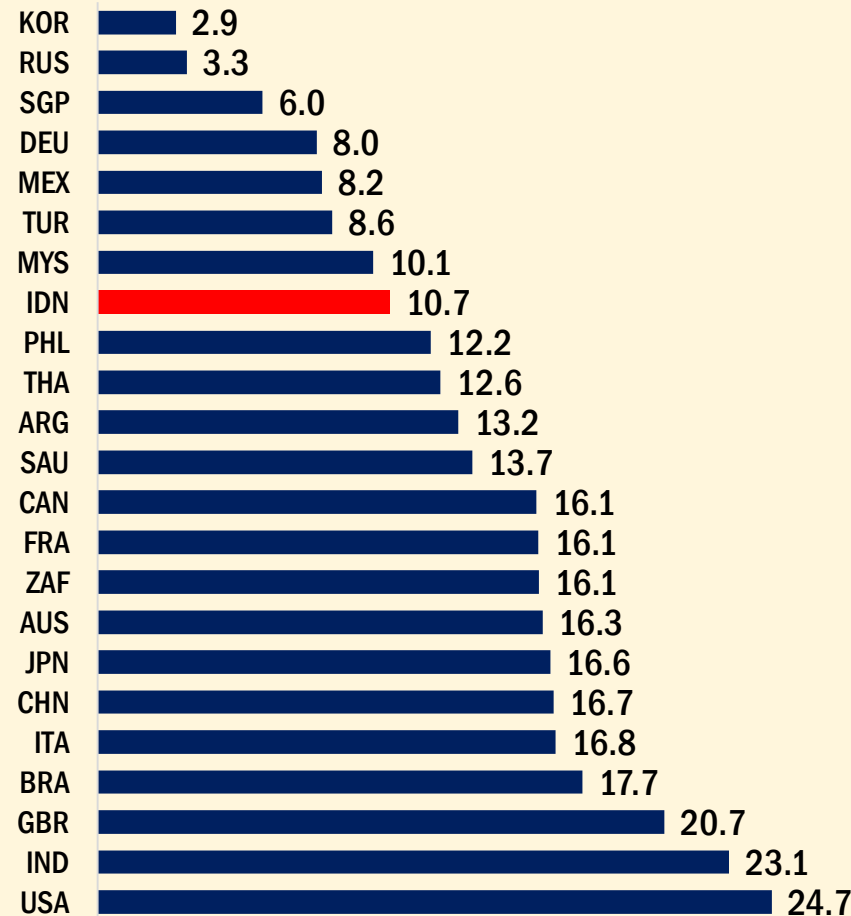


INDONESIA'S FISCAL POLICY MANAGEMENT IS DISCIPLINE & PRUDENT

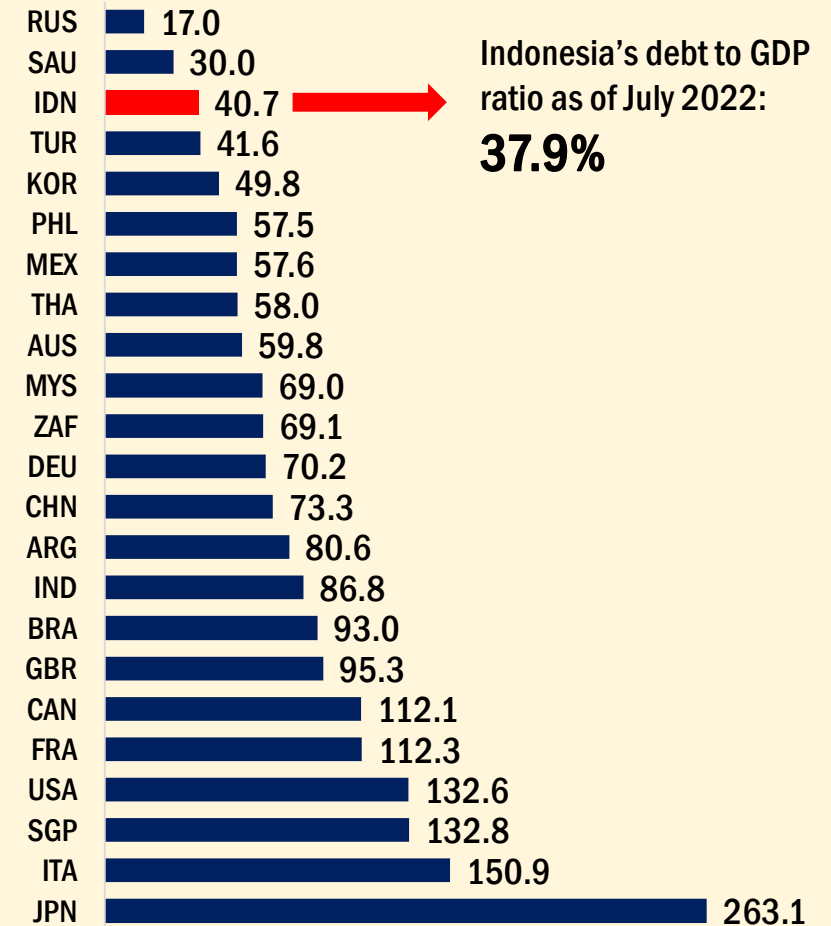
Prudent and sustainable
fiscal management is
reflected from moderate
deficit and low debt level

Comparison of G-20 and ASEAN-6 Indicators

Accumulated Fiscal Deficit 2020-2021 (% of GDP)



Debt Ratio 2021 (% of GDP)





03



BUDGET UPDATES



STRONG BUDGET PERFORMANCE CONTINUES IN 2022

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

Account (IDRtn)	2021			2022			
	Audited Budget	% of Budget	Growth (%)	Revised Budget (Perpres 98/2022)	YTD 14 Dec 2022	% of Perpres 98/2022	Growth (%)
A. Revenue	2,011.3	115.4	22.1	2,266.2	2,479.9	109.4%	36.9
I. Tax Revenue	1,547.8	107.2	20.4	1,784.0	1,927.4	108.0%	38.1
1. Tax	1,278.6	104.0	19.3	1,485.0	1,634.4	110.1%	41.9
2. Custom & Excise	269.2	125.2	26.4	299.0	293.1	98.0%	20.6
II. Non-Tax Revenue	458.5	153.8	33.4	481.6	551.1	114.4%	33.2
B. Expenditure	2,786.4	101.3	7.4	3,106.4	2,717.6	87.5%	11.9
I. Central Government	2,000.7	102.4	9.1	2,301.6	1,967.9	85.5%	16.2
II. Regional Transfer & Village Funds	785.7	98.8	3.0	804.8	749.7	93.2%	1.9
C. Primary Balance	(431.6)	68.2	(31.9)	(434.4)	129.0	-29.7%	(145.0)
D. Surplus (Deficit)	(775.1)	77.0	(18.2)	(840.2)	(237.7)	28.3%	(61.5)
<i>% to GDP</i>	(4.57)	80.2	(5.6)	(4.50)	(1.22)		
E. Financing	872	86.6	(27.0)	840.2	469.8	55.9%	(28.5)
F. Financing Surplus	96.67				232.2		

The Government revenues grew significantly, supported by increased economic activity, the impact of the implementation of the tax reform (HPP law), and rising commodity prices.

The government expenditures are directed towards the distribution of various social assistance & subsidies, funding for national strategic projects, as well as economic recovery programs, including Transfers to Regions.

The Budget Deficit and Primary Balance are still within the responsive corridor to face market pressures and the dynamics of the budget

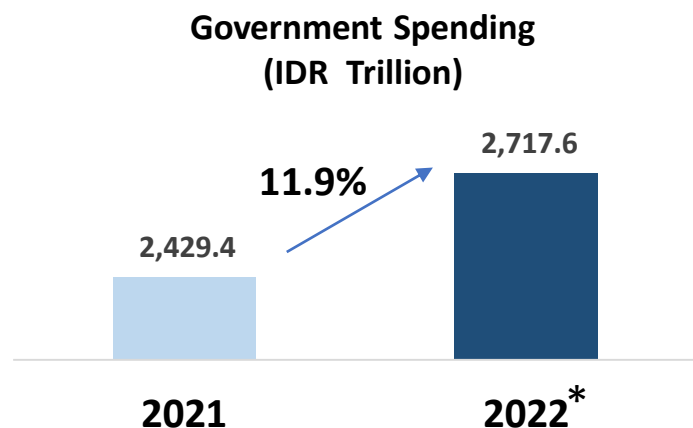
Budget Financing is managed efficiently and carefully amidst global economic uncertainty.



THE 2022 BUDGET IS ABLE TO EFFECTIVELY REDUCE ECONOMIC TURBULENCE AND PROMOTE FASTER ECONOMIC RECOVERY

1

Government spending grew positively (11.9% yoy), able to stimulate the economy

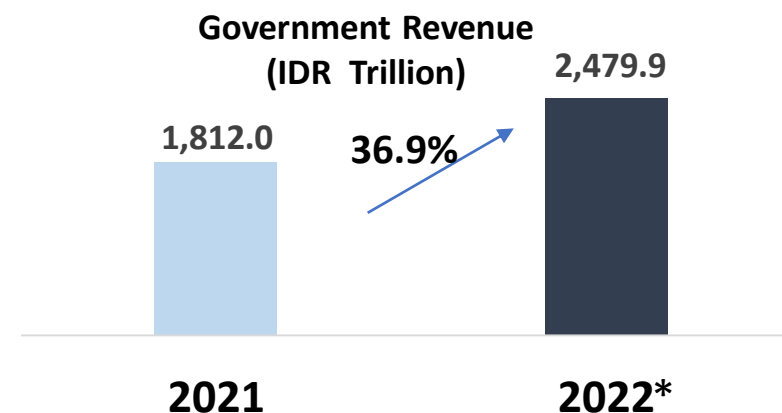


- Line and Ministries spending reached IDR 954.4 T for the distribution of social assistance, National Economic Recovery programs to the community, construction of roads, networks, irrigation, and bureaucratic operational activities.
- Non-Line Ministries' spending reached IDR 1,013.5 T for subsidies, fuel and electricity compensation, and health insurance.
- Transfer to Region reached IDR 749.7 T to support public services and infrastructure in the regions.

- Economic growth remains strong
- Inflation is relatively low, purchasing power is maintained
- Poverty fell to 9.54%
- A new workforce was absorbed as of August: **4.2 million people**

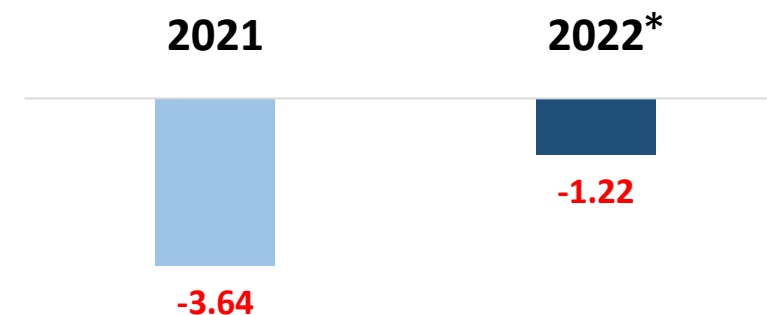
2

Revenue grew high (36.9% YoY), supported by a stronger economic recovery and high commodity prices



3

Smaller deficits, faster fiscal consolidation
Deficit Realization (% GDP)



Note: *realization up to 14 December 2022

Source: Ministry of Finance

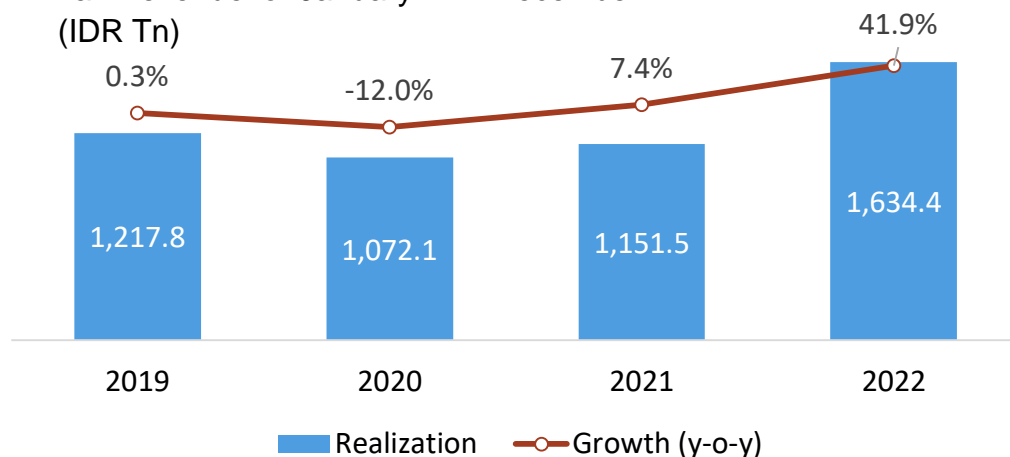


REVENUE COLLECTION CONTINUED TO STRENGTHEN

Supported By High Commodity Prices, Stronger Economic Activity And Gain From The Recent Tax Reforms

Strong Recovery in Revenue Collection

Tax Revenue for January – 14 December
(IDR Tn)



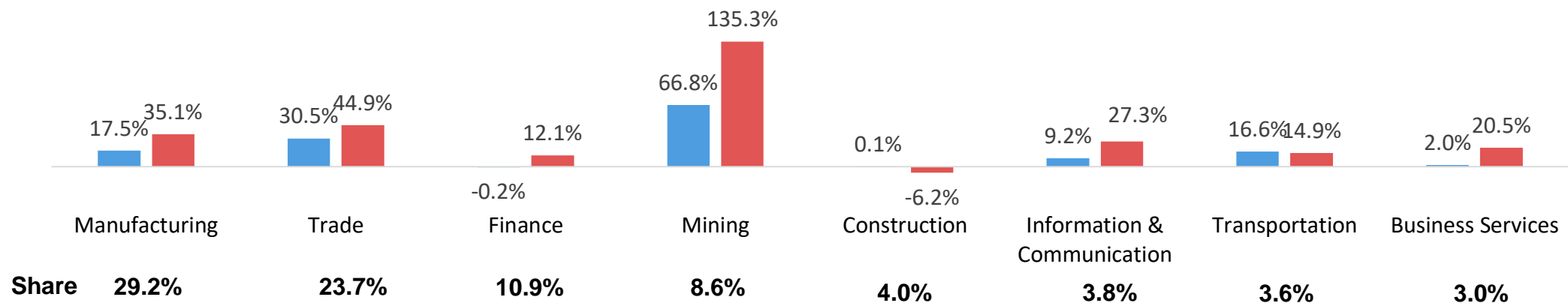
The strong tax revenue collection in January-Dec 14th 2022 was largely contributed by:

- 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.
- 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.

Strong Performance In Tax Collection Across Sectors

Performance (cumulative growth y-o-y)

■ Jan-14 Dec 2021 ■ Jan-14 Dec 2022





TAX REFORM WILL RAISE TAX RATIO AND MAINTAIN FISCAL SUSTAINABILITY

Tax reform will improve tax collection; anticipate social, economic, and demographic dynamics and implement best practices

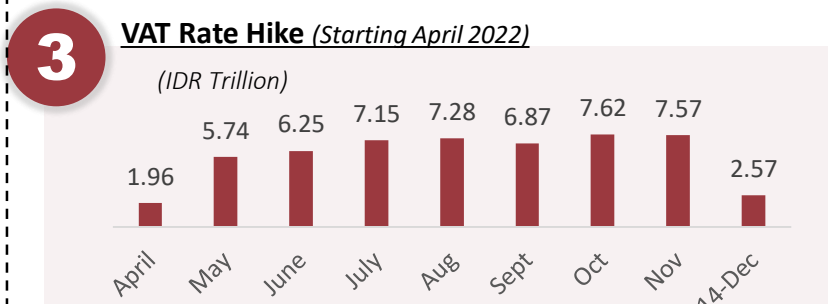
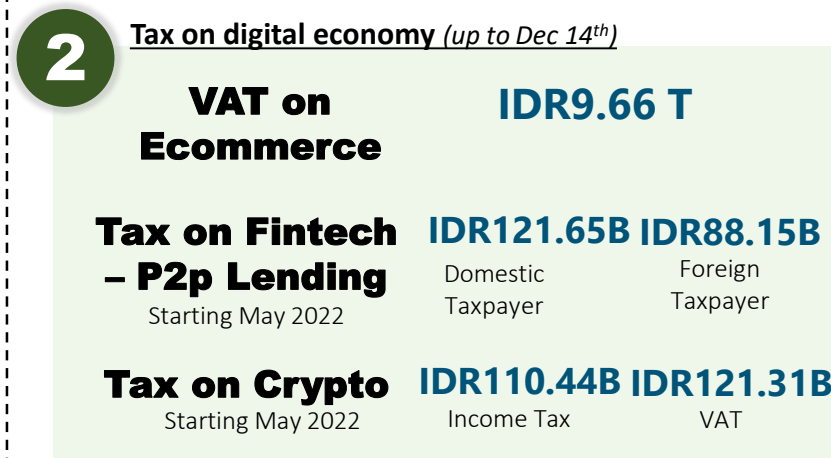
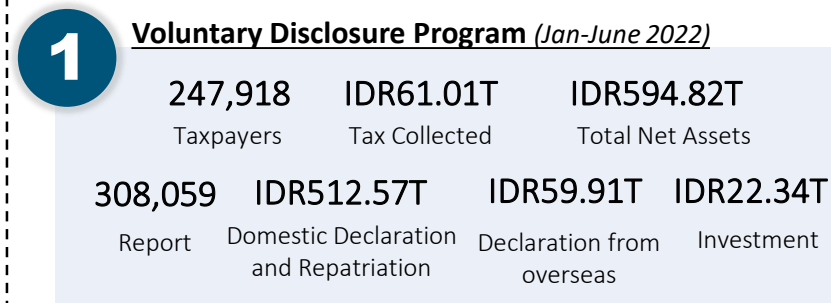


Tax Reform Details

<p>GENERAL PROVISIONS AND PROCEDURES</p> <ul style="list-style-type: none"> Integration of the ID Number with the Taxpayer Number, Appointment of third parties as withholding, collecting, depositing and/ or reporting tax (including e-commerce) 	<p>INCOME TAX</p> <ul style="list-style-type: none"> New bracket for income >IDR 5 billion at 35% tax rate, Corporate Income Tax in 2022 remains at 22%, Income Tax rate at 0.5% for MSME (threshold IDR 500million), Employee fringe benefits become tax object. 	<p>VALUE ADDED TAX</p> <ul style="list-style-type: none"> VAT rate hike from 10% to 11% from 1 April 2022, and to 12% by 2025, Reducing the VAT exemptions and facilities.
<p>CARBON TAX</p> <ul style="list-style-type: none"> Introduction of the carbon tax in 2022 in steps according to a roadmap taking into account the development of a carbon market, achievement of NDC targets, sector readiness, and economic conditions. 	<p>EXCISE</p> <ul style="list-style-type: none"> Strengthening the mechanism for determining excisable goods; and applying criminal sanctions as a last resort in excise crime. 	<p>VOLUNTARY DISCLOSURE PROGRAM</p> <ul style="list-style-type: none"> Improve taxpayers' compliance through voluntary disclosure program for unreported tax obligations at a final income tax rate.

Source: Ministry of Finance

Progress Update on Tax Reform



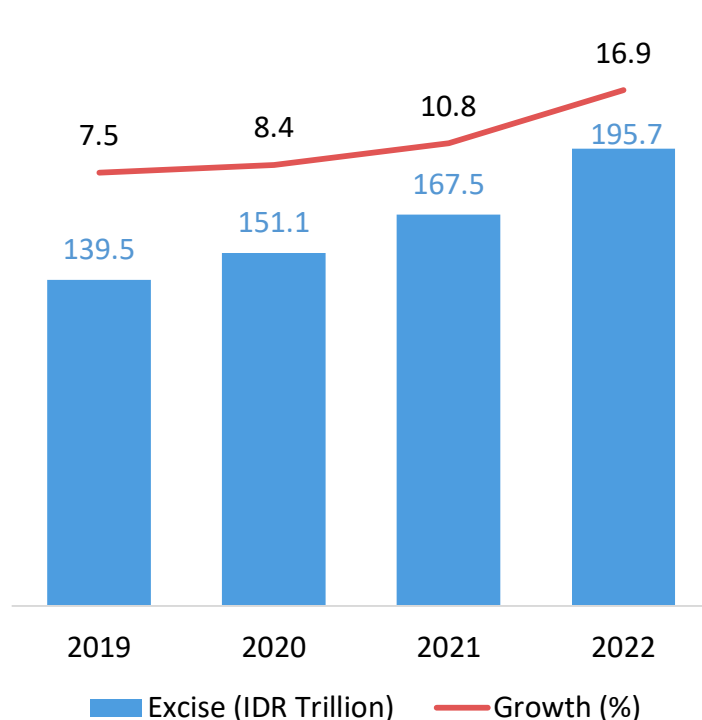


CUSTOM & EXCISE REVENUE REALIZATION SIGNIFICANTLY GREW

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

Excise Revenue (as of Nov 30)

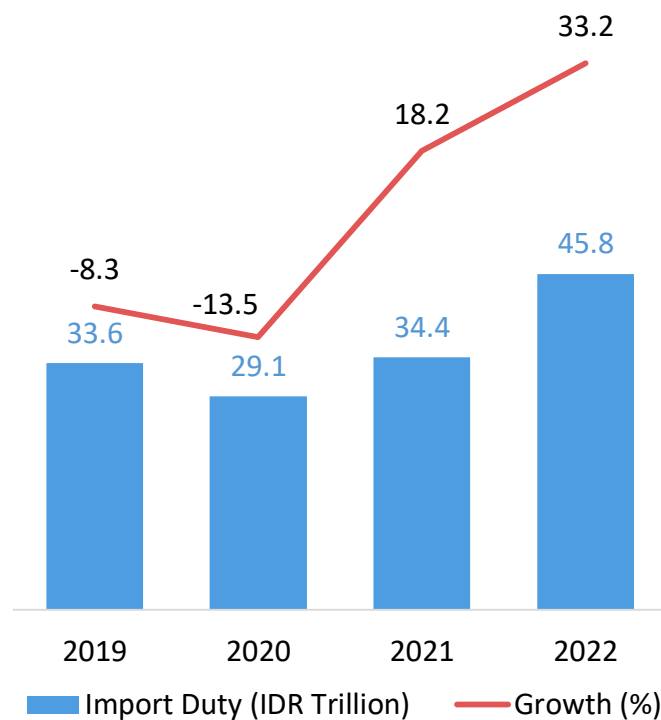
Up to 14 Dec 2022: IDR 198.02 T (16.83%,yoy)



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.

Import Duty Revenue (as of Nov 30)

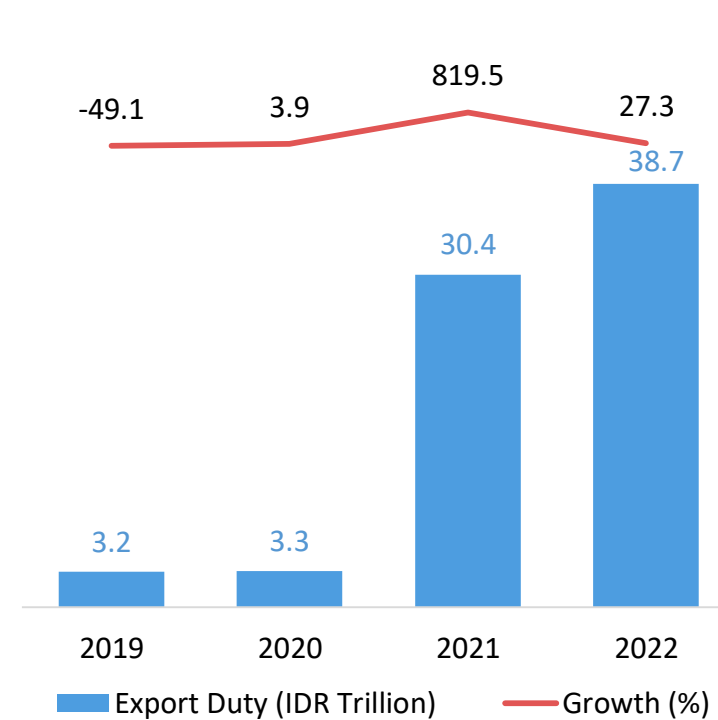
Up to 14 Dec 2022: IDR 48.18 T (33.09%,yoy)



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

Export Duty Revenue (as of Nov 30)

Up to 14 Dec 2022: IDR 39.17 T (21.65%,yoy)



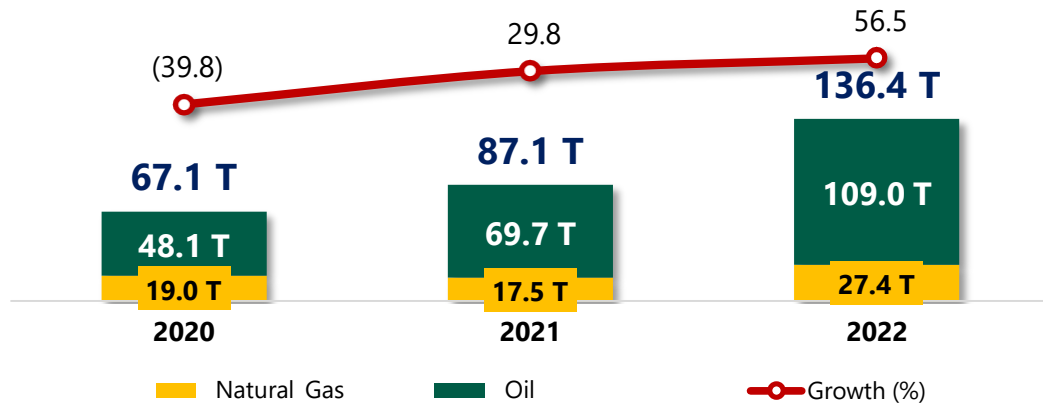
Driven by high commodity prices, the increase in export duty tariffs for palm oil products, and the Flush Out policy.



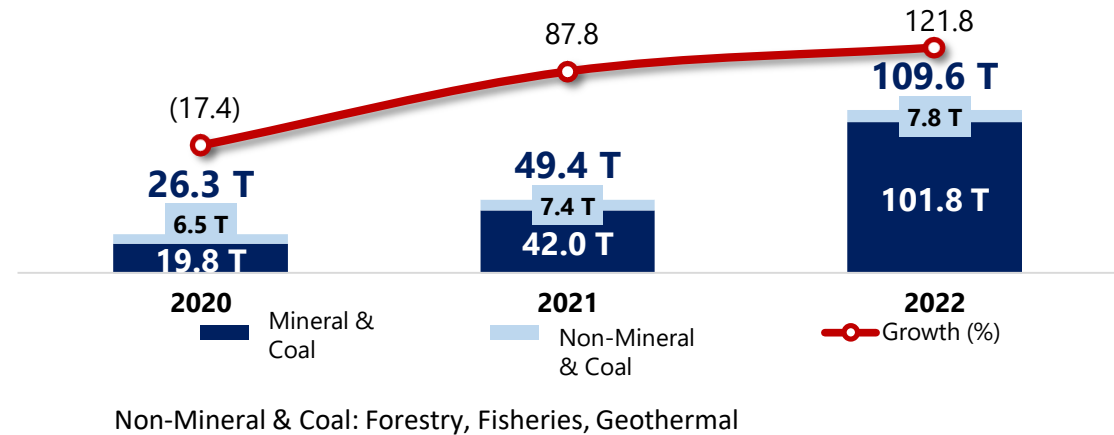
NON-TAX REVENUE GREW STRONGLY SUPPORTED BY AN INCREASE ALMOST IN ALL COMPONENTS

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

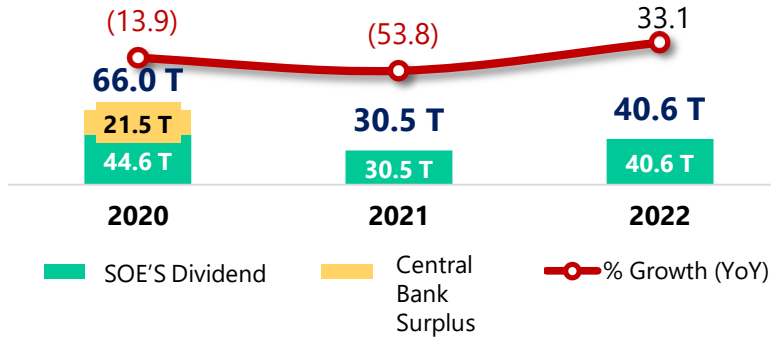
Oil & Gas Revenue up to 14th Dec 2022



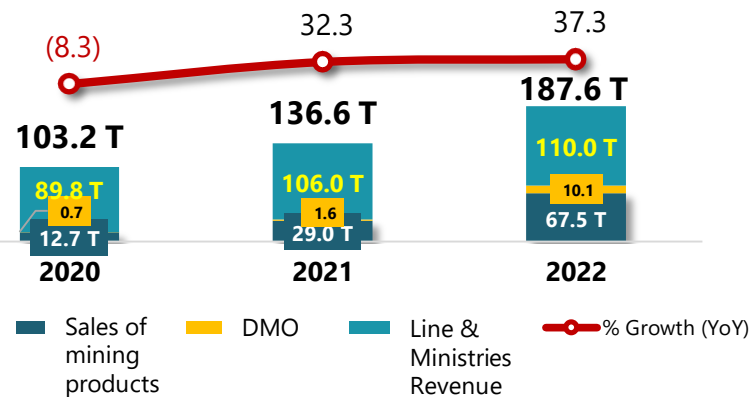
Non - Oil & Gas Revenue up to 14th Dec 2022



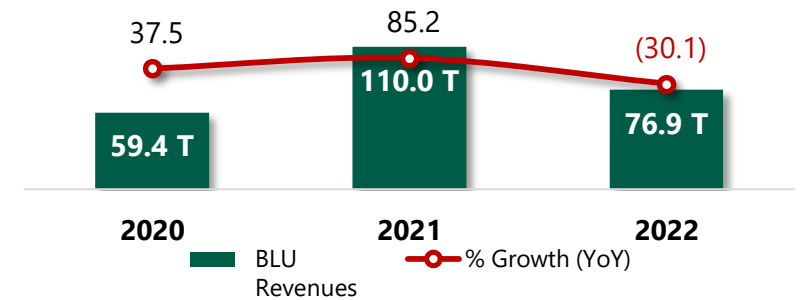
SOE's Revenue up to 14th Dec 2022



Other Non Tax Revenues Up to 14th Dec 2022



Public Service Agency (BLU) Revenue 14th Dec 2022





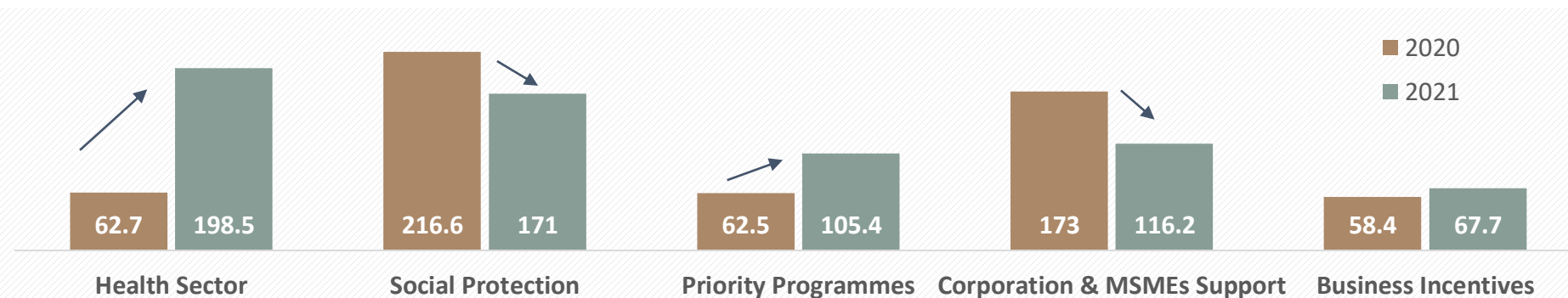
THE NATIONAL ECONOMIC RECOVERY PROGRAM (PEN) HAS EFFECTIVELY CUSHIONED THE IMPACT OF THE PANDEMIC

The program continues to offer support for communities during hard times and accelerate the economic recovery

NATIONAL ECONOMIC RECOVERY PROGRAM (PEN)

2020: 575.9 T

2021: 658.6 T



National Economic Recovery Program (PEN) was enacted in response to the Covid-19 pandemic handling and **was aimed at** saving lives and supporting the economy. In 2021, the initial figures were lower than 2020, however, due to delta variant outbreak in July, **PEN was strengthened** for social protection expansion and hospital costs.

Amidst elevating global uncertainty, the Government optimally carried out the budget as “**shock absorber**”, through responsive and anticipative PEN program

ALLOCATION IN 2022:

455.6 T

(Realization up to Dec 9th: IDR 330.7T, or 72.6% of the allocation)

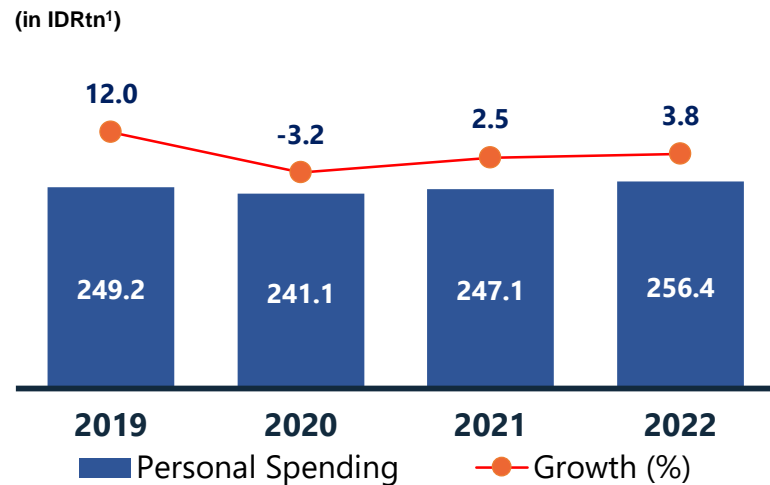
Health Sector IDR 122.54 T	Social Protection IDR 154.76 T	Economic Recovery IDR 178.32 T
<p>Realization: IDR 54.2 T (44.2% of Allocation)</p> <ul style="list-style-type: none"> • Patient treatment IDR 27.3 T • Health worker incentives IDR 3.1 T • Vaccination IDR 2.8T • Tax incentives IDR 1.8T • Covid-19 Handling through village fund IDR 12.3 T 	<p>Realization: IDR 148.2 T (95.8% of Allocation)</p> <ul style="list-style-type: none"> • PKH IDR 21.4 T, Sembako IDR 32.9 T • Cash Transfer- cooking oil IDR 8.4 T • Cash Transfer- village fund IDR 24.6 T • Cash Transfer–street vendor IDR 1.3T • Preemployment card IDR 18 T • etc 	<p>Realization: IDR 128.4 T (72.0% of Allocation)</p> <ul style="list-style-type: none"> • Labor intensive program IDR 17.5T • Tourism and creative economy ID6.3 T, Industry zone IDR 0.9 T • Food Security IDR 18.7 T • ICT 9.4 T, MSMEs IDR 23.7 T • Tax incentives IDR 15.2 T



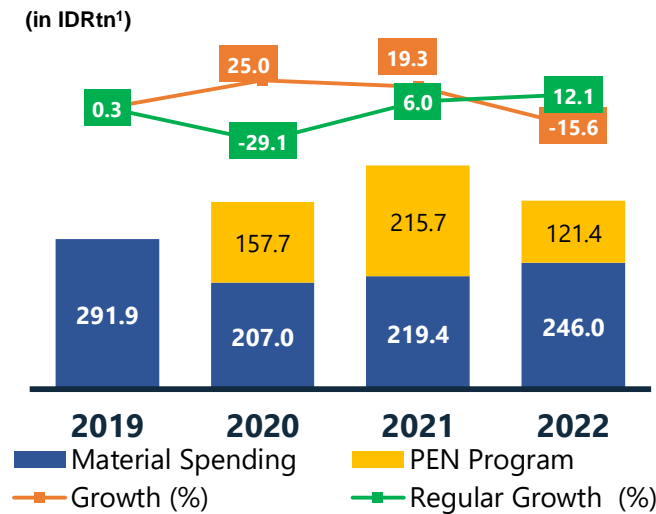
MAINTAINED ACCELERATION OF GOVERNMENT SPENDING

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

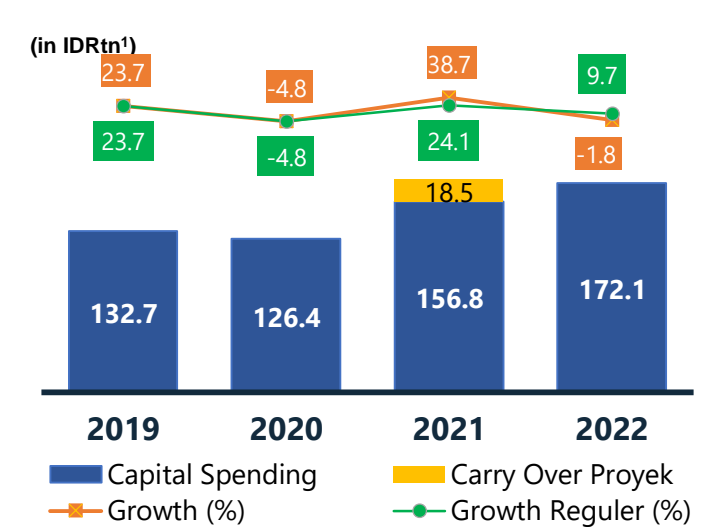
Personal Spending¹



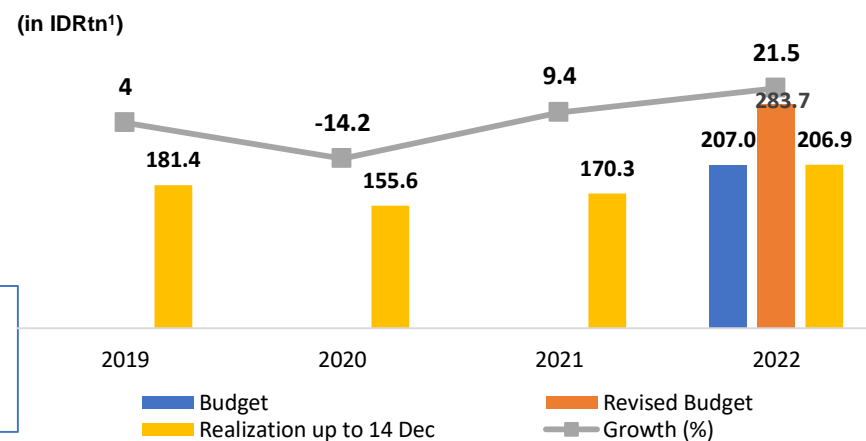
Material Spending¹



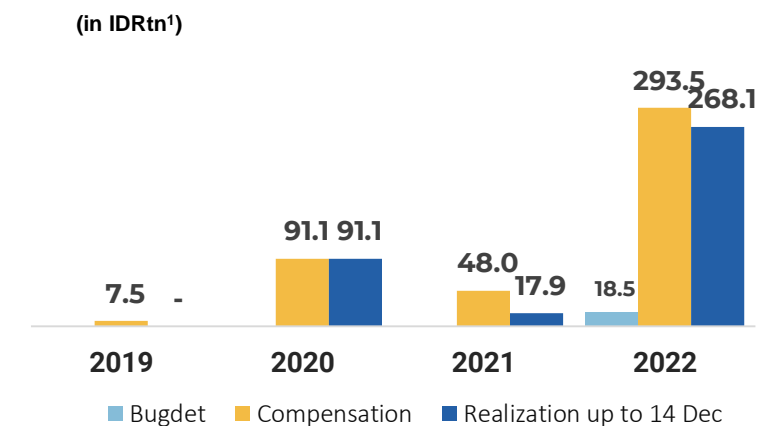
Capital Spending¹



Subsidy Spending¹



Compensation¹



Pre-Employment Card Realization (IDRtn¹)



Realization Social Assistance¹

IDR 333.8tn (Regular)

IDR 23.1tn (Additional Social Assistance)

Source: Ministry of Finance.

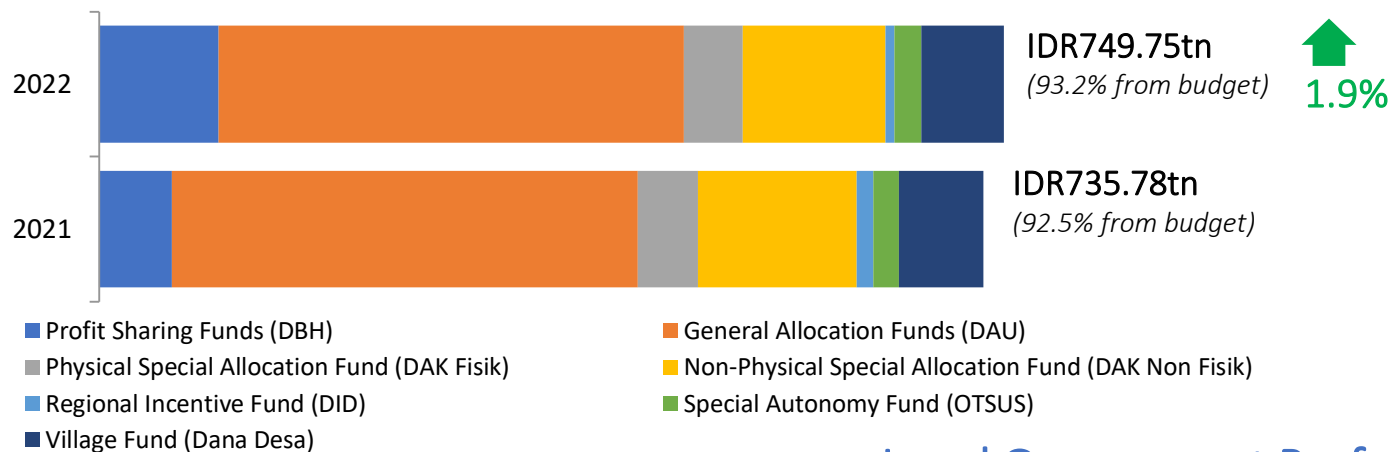
Note: 1. Realization up to YTD 14 December 2022



TRANSFER TO REGION PERFORMANCE WAS IMPROVED

Transfer to Region Fund

(January – 14 December)

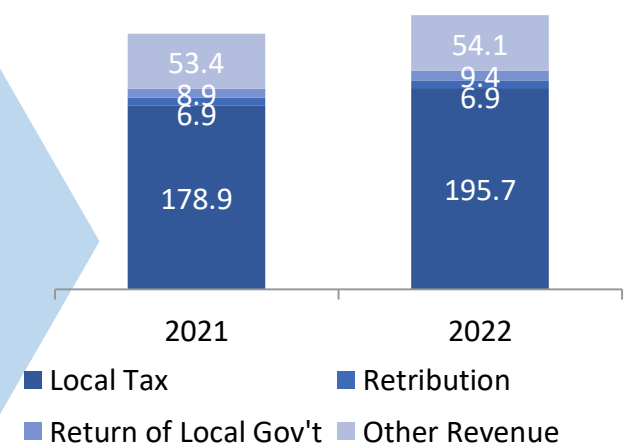


- Local government compliance on meeting administrative requirements have improved, driving higher realization on various items of transfer
- Several items of transfer realization, such as DID was lower compared to previous year, mainly due to lower budget allocation

Local Government Performance¹

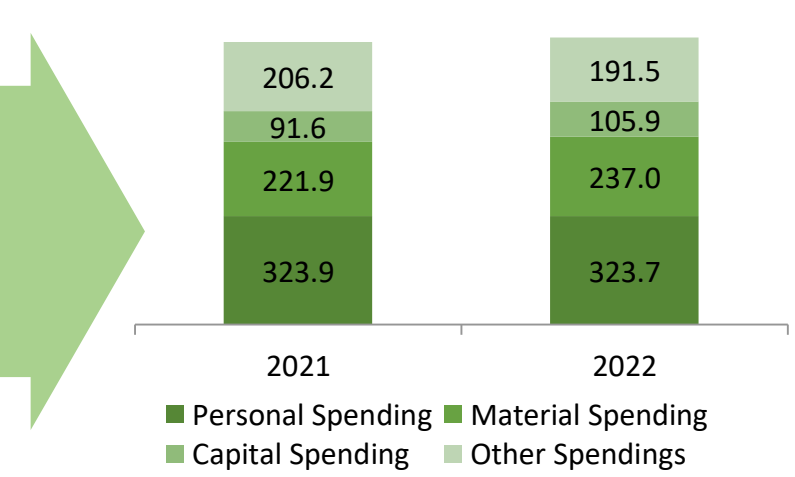
REVENUE

- Local Gov't revenue was dominated by local tax (73.9%)
- 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 Sept, local Gov't spending grew by 0.2% (yoy) contributed by increasing in capital and operational spending.
- The spending reached 61.2% to local budget



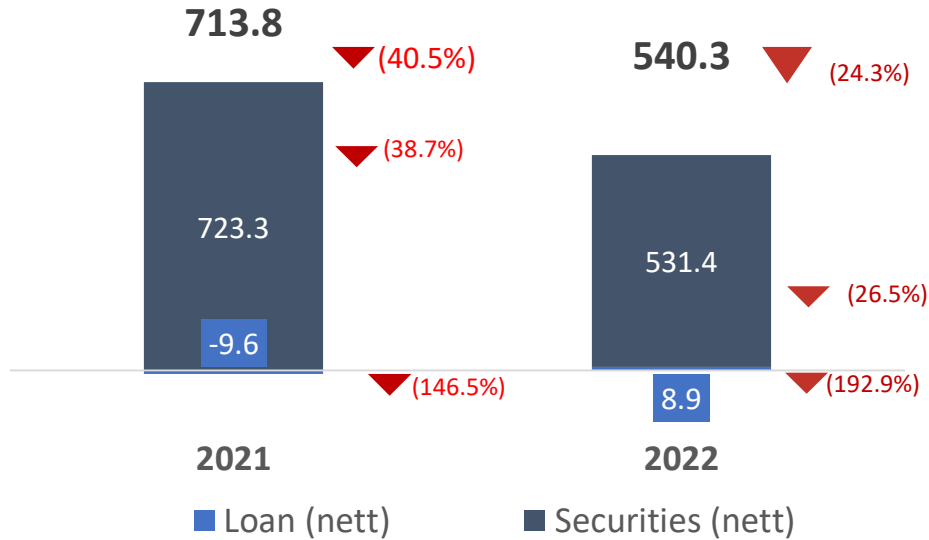
Source: Ministry of Finance.
Note: 1. Realization up to YTD November



BUDGET FINANCING APPLY PRUDENT, FLEXIBLE, AND OPPORTUNISTIC PRINCIPLE

Financing anticipating the ongoing volatility

Financing Realization Up to 14 Dec



Financing Realization Up to 30 Nov 2022

Government Securities (Net) IDR 504.3 T

Loan (Net) IDR 6.0 T

Domestic Loan (Nett)
IDR 4.1T

- Domestic Loan Withdrawal (Gross) IDR 5.8 T
- Domestic loan principal installment financing IDR (1.7) T

Foreign Loan (Nett)
IDR 1.9 T

- Foreign Loan Withdrawal (Gross) IDR 72.0 T
- Foreign loan principal installment financing IDR (70.1) T

INVESTMENT FINANCING REALIZATION:

IDR 82.1 T*

*up to 14 Dec 2022



State Asset Management Agency (LMAN) IDR 28.8T



International Development Fund Cooperation Agency (FLPP) IDR 1T



Sarana Multigriya Finansial IDR 2T



Housing Finance Liquidity Facility (FLPP) IDR 19.1T



Education Fund Management Agency (LPDP) IDR 20T



Garuda Indonesia IDR 7.5T



Governance is improved with the **Key Performance Indicator (KPI)** of Investment Financing



Disbursement of Investment Financing allocation is based on **performance and priority analysis**



04



FISCAL POLICY DIRECTION 2023 & STRUCTURAL REFORM

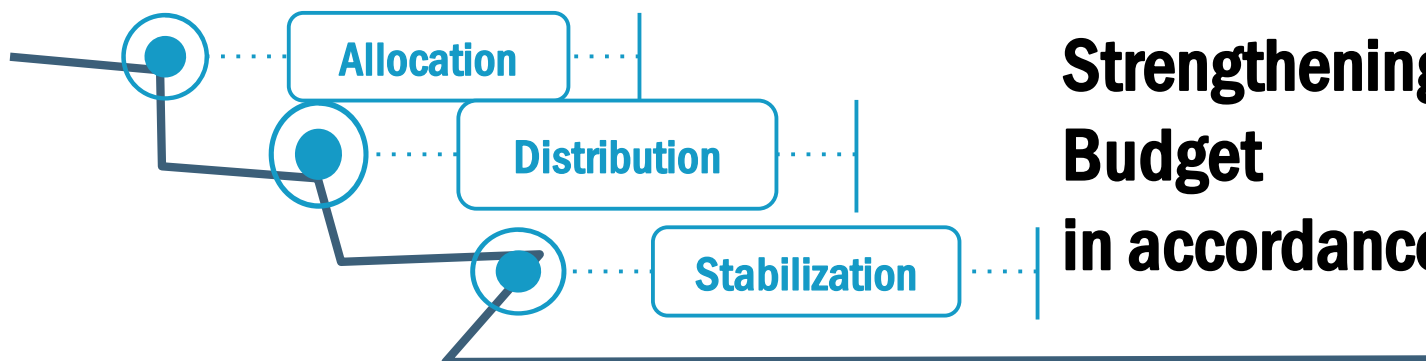


2023 BUDGET IS AIMED TO BOOST PRODUCTIVITY FOR INCLUSIVE AND SUSTAINABLE ECONOMIC TRANSFORMATION

Fiscal Policy Focus In 2023



Strengthening Budget Role For Quality Fiscal Consolidation



Strengthening the Role of the Government Budget in accordance with its Basic Functions

REVENUE MOBILIZATION

- Maintaining the effectiveness of the implementation of tax reform law
- Strengthening tax base and increasing taxpayer compliance
- Anticipating economic downturn and commodity prices moderation in 2023

SPENDING BETTER

- Efficient, effective, priority, transparent, and accountable
- Focus on human capital, physical capital, and institutional reform
- Anticipating uncertainty

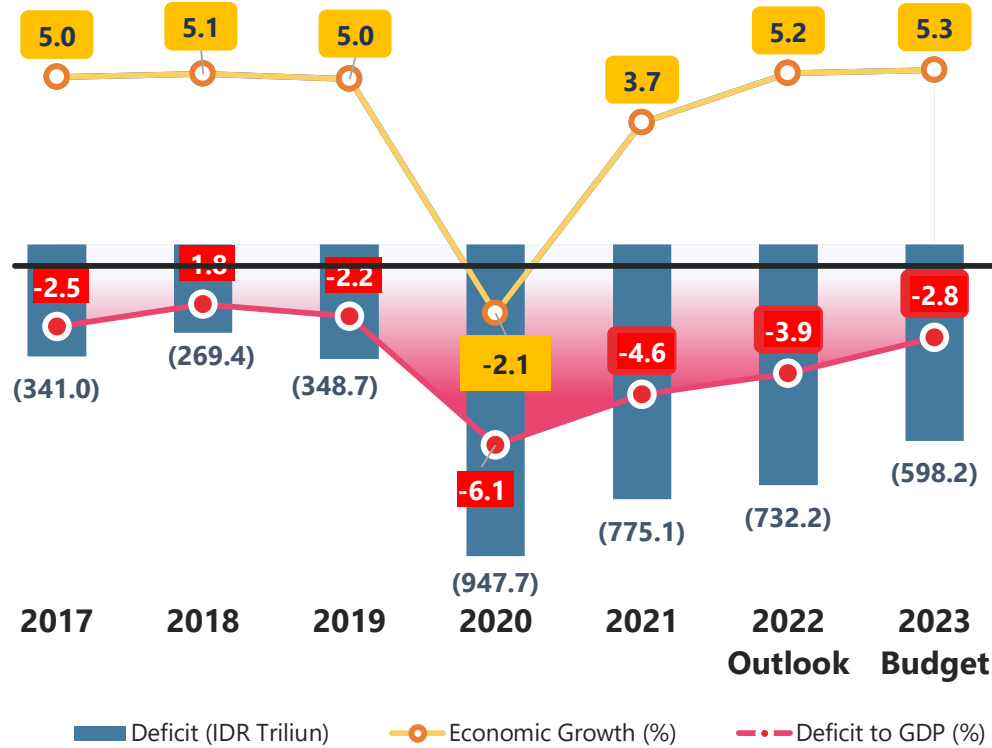
INOVATIF & SUSTAINABLE FINANCING

- Well-managed debt risk
- Increasing the involvement of private sector, SOEs, public service agency, innovative financing agency



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

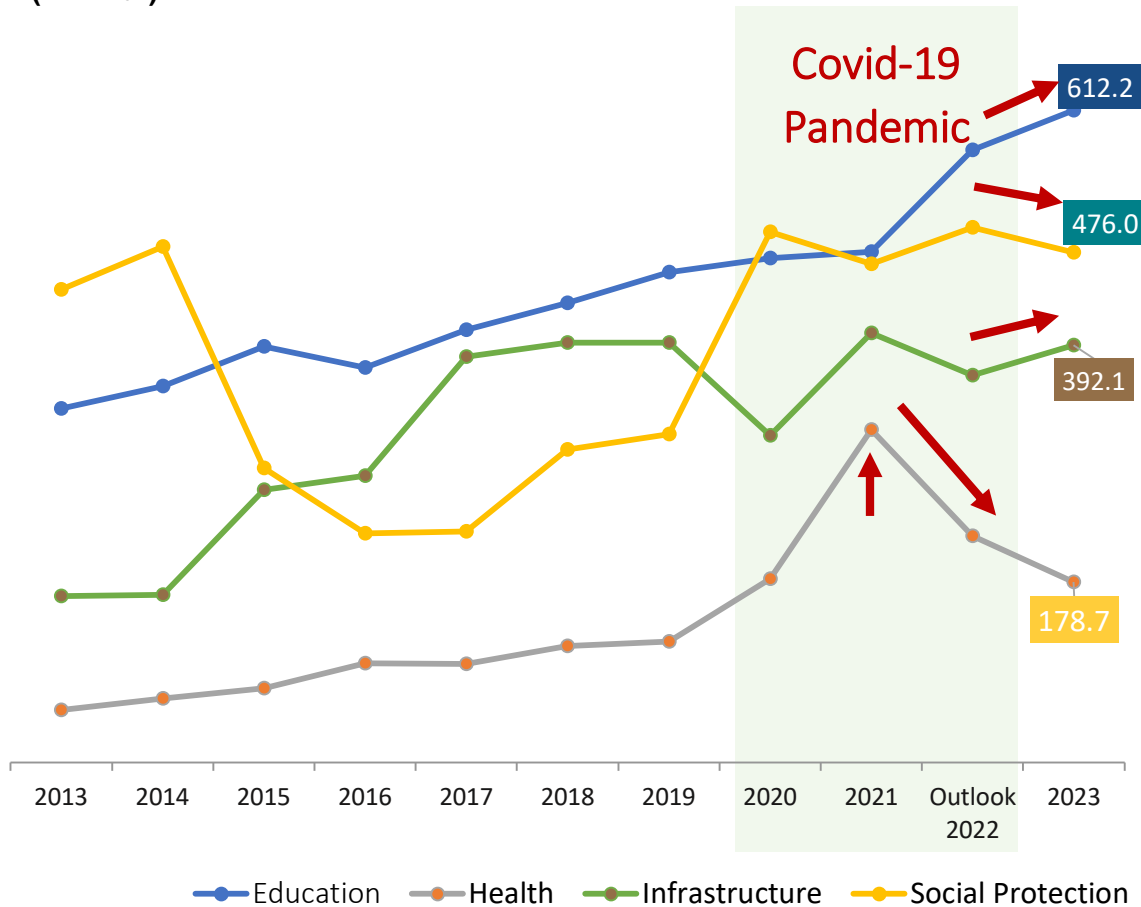


2023 BUDGET PRIORITY TO SUPPORT STRUCTURAL REFORM

Maintaining allocations for priority sectors to boost competitiveness and people's well-being

Budget Development on Priority Program

(in IDRtn)



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

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

Infrastructure

- ✓ 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

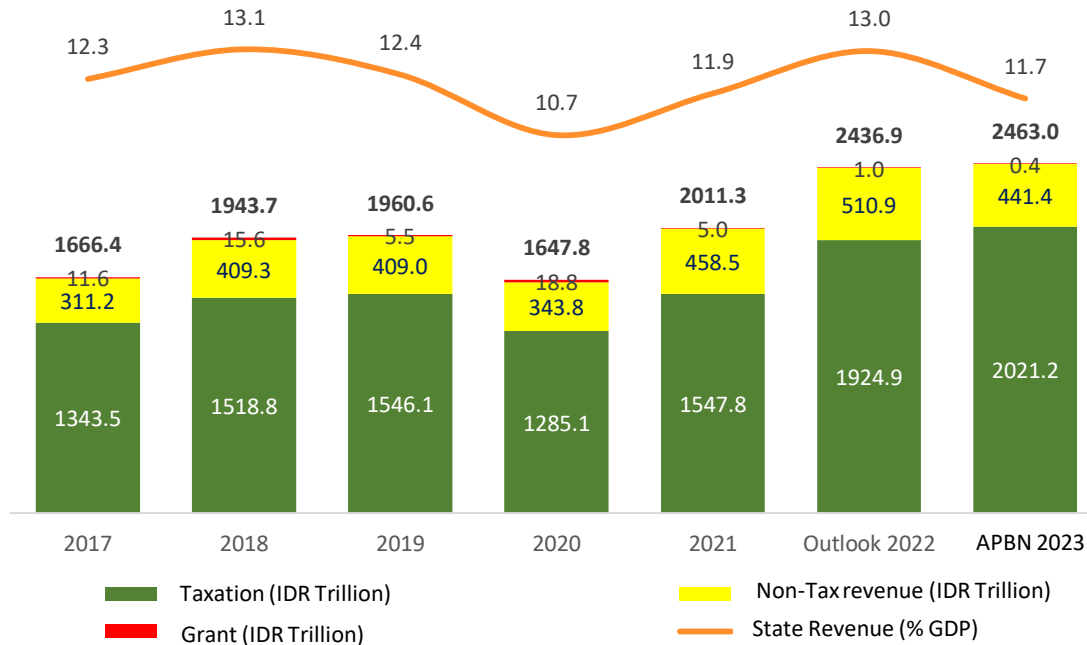
- ✓ Declining health spending due to the decreasing of Covid-19 handling budget
- ✓ To support health system transformation: focusing on preventive measures
- ✓ Strengthening universal health insurance and premium subsidy (PBI) for the poor
- ✓ Acceleration reducing stunting prevalence program
- ✓ Increasing the vigilance of health services



OPTIMIZING STATE REVENUES TO MAINTAIN THE INVESTMENT CLIMATE SUSTAINABILITY

Continuing tax reform, service innovation, and optimizing asset management

State Revenues



2023 Taxation Policies

1. Boosting taxation revenue increasing trend by maintaining the effectiveness of the implementation of the HPP Law;
2. Providing fiscal incentives for strategic economic activities that have a strong multiplier effect on the economy;
3. Paying attention to people's purchasing power to increase taxation revenue;
4. Exploring the tax potential by extensification and intensification activity-based to strengthen the tax base and increase taxpayer compliance;
5. Strengthening supervision and law enforcement more optimally;
6. Ensuring the achievement of taxation revenue targets is carried out carefully to support fiscal consolidation running well.

2023 Non-Tax Revenue Policies

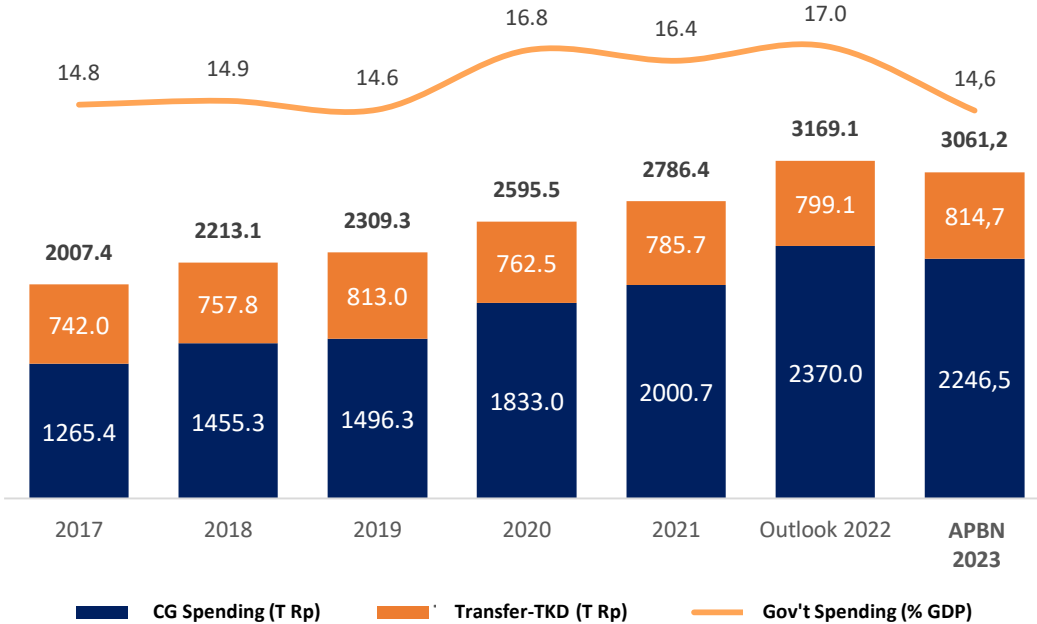
1. Optimization of the use of natural resources through improvement of policies, managerial improvement of natural resources utilization, and increase of added value, while still paying attention to environmental sustainability;
2. Optimizing SoEs' dividends by encouraging performance and efficiency improvements as well as determining dividends by considering profitability, company funding needs, investor perceptions, regulations, and covenants;
3. Improving the innovation and service quality of work units and Public Service Agencies as well as optimization of SoEs' asset management;
4. Strengthening governance through synergies, expanding the use of technology and information, and increasing supervision and compliance.



STRENGTHENING SPENDING BETTER

Focus on priority spending, based on results, and improving the quality of fiscal decentralization

Government Spending



Policies on Central Government Spending 2023

1. Improving HR to be more skillful, productive, and competitive by advancing education quality, transforming health system, and accelerating social protection system toward lifelong and adaptive social protection;
2. Acceleration of infrastructure development which support economic transformation;
3. Supporting the revitalization of value-added and export-oriented industries;
4. Supporting green technology adaptation, renewable energy development and energy transition;
5. Improving the accuracy of targeting the distribution of social assistance programs and subsidies;
6. Improving the effectiveness of the implementation of bureaucratic reform;
7. Continuing the efficiency of spending on non-priority goods;
8. Improving the synchronization and sharpening of government aid spending;
9. Anticipating and mitigating fiscal risks in the implementation of the APBN, disasters, and other urgent activities.

Policies on Transfer to Region (TKD) 2023

1. Increasing the synergy of central and regional fiscal policies as well as harmonization of central and regional expenditures;
2. Strengthening the quality of directed, measurable, accountable and transparent transfer TKD management;
3. Strengthening the use of TKD to support priority sectors (health, education, social protection, and infrastructure);
4. Improving the local taxation power;
5. Utilization of financing instruments to overcome limited fiscal capacity and the need for accelerated development through: a) creative financing; b) integrated funding; and c) sustainable financing development.



THE GOVERNMENT CONTINUE ITS COMMITMENT TO PURSUE REFORM AGENDA

Comprehensive structural reform to improve productivity, increasing investment and export competitiveness

Omnibus Law on Job Creation

- Launched OSS (Online Single Submission) on 2021 to speed up business licensing progress
- Acceleration on National Strategic Project (PSN)
- Climate Change Fiscal Framework (CCFF) & Energy Transition Mechanism
- Implementing Risk-Based Business Analysis to Encourage FDI
- Positive list of investment to improve priority sectors
- Establishment of Sovereign Wealth Fund (INA)
- etc

Fiscal Reform

- Tax Reform
 - Voluntary Disclosure Program completed successfully (Jan-June 2022)
 - VAT rate increasing to 11% since April 1st
 - Integration of ID number and taxpayer number
 - Other policy changes to be anticipated:
 - Strengthening excise mechanism
 - Income tax policy change
 - Introduction of carbon tax
- Law on Intergovernmental Transfer
 - Redesign the management of Transfers-to-Regions to reduce inequality
 - Harmonizing of central and local government spending
 - Improving the quality of local government spending
 - Strengthening local taxing power

Omnibus Law on Financial Sector Development

Deep, innovative, efficient, inclusive, reliable, strong and stable FINANCIAL SECTOR

- Improving Access to Financial Services
- Promoting Long-Term Sources of Finance
- Increasing Competitiveness & Efficiency
- Developing Instruments & Strengthening Risk Mitigation
- Strengthening Investor & Consumer Protection

UTILIZATION OF STRUCTURAL REFORM OPPORTUNITIES **FOR ACCELERATION OF ECONOMIC GROWTH**



THANK YOU

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