



MINISTRY OF FINANCE
REPUBLIC OF INDONESIA

RECENT MACROECONOMIC AND FISCAL UPDATE

MINISTRY OF FINANCE
February 2023



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01



GLOBAL UPDATE & RISKS



GLOBAL ECONOMY FACES UNPRECEDENTED CHALLENGES IN 2022

Snapshot 2022

Global commodity index increased by 15% (yoy eop), reaching its greatest point in May 2022 by 33%

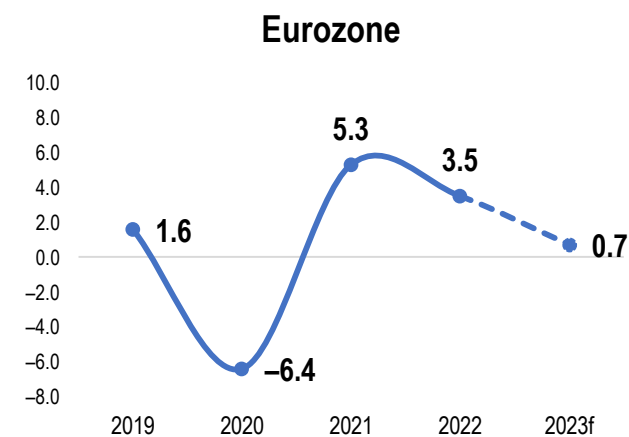
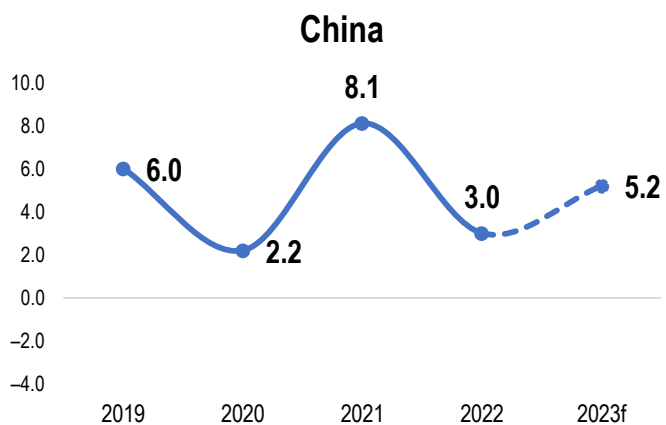
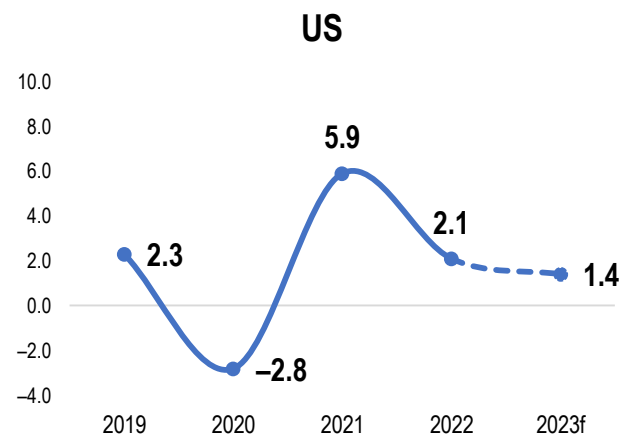
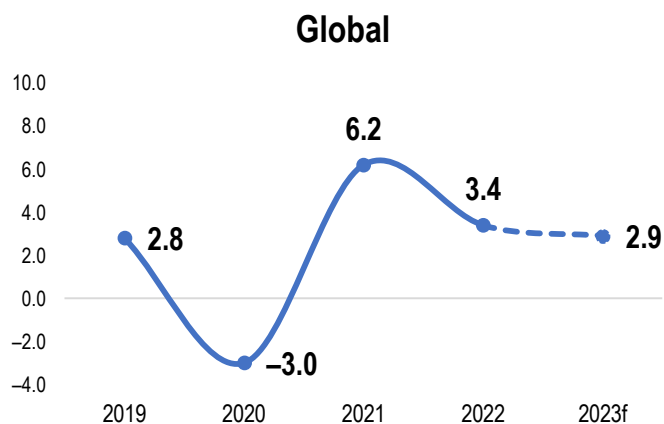
Inflation is at its highest level in 40 years in a number of developed countries

The Dollar Index increased by 8.2% (yoy eop)

The MSCI Global Stock Index fell by 20%

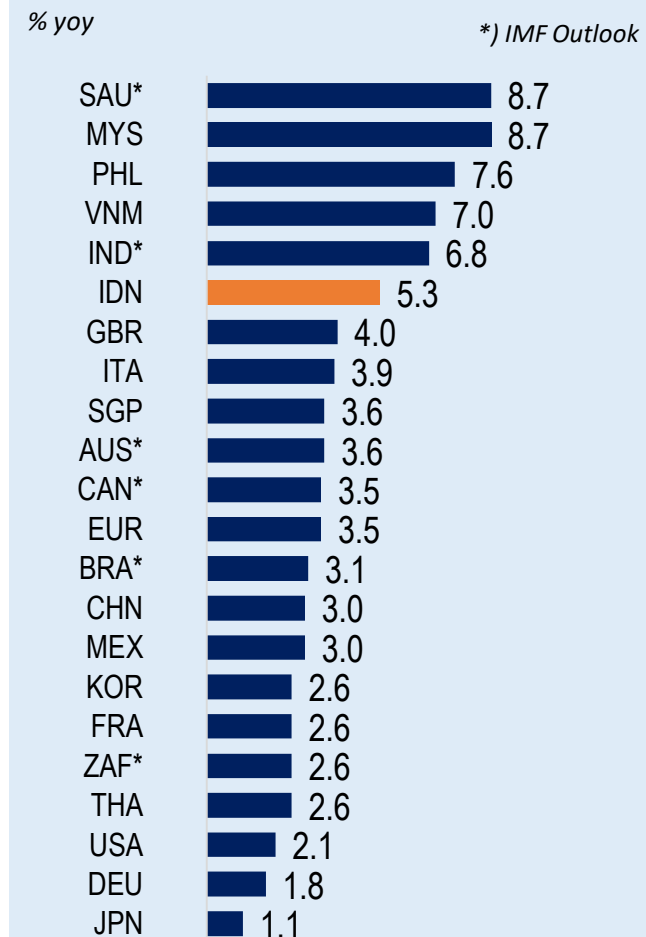
The lowest **Global PMI for Manufacturing** (eop) in 2.5 years

Major countries experienced slowed growth in 2022, and prospects for 2023 remain uncertain due to various risks, such as geopolitics, limited fiscal resources, high interest rates, and pressure on the Chinese property sector



Indonesia's growth was among the strongest in 2022

Realization/Outlook of Economic Growth in 2022



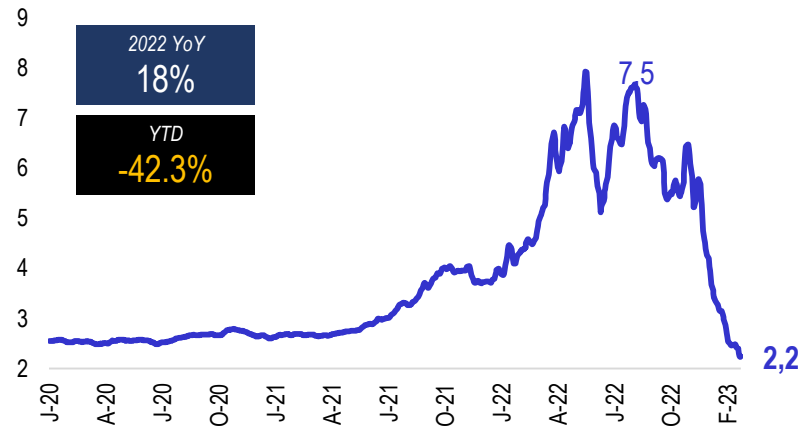


PRICE OF ENERGY COMMODITIES IS IN A DECREASING TREND

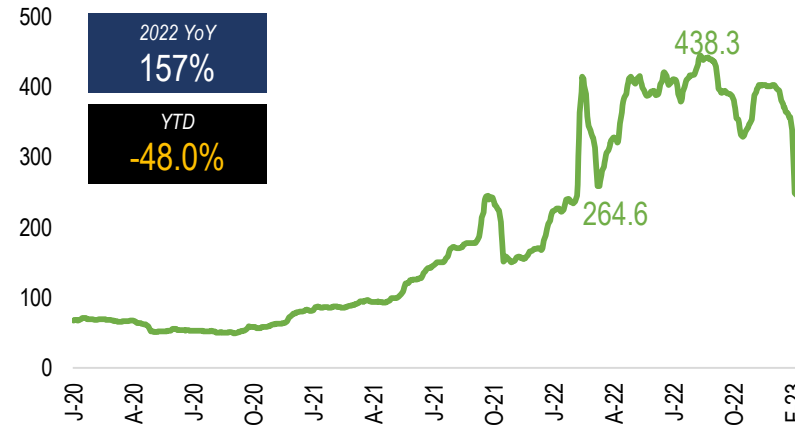
Meanwhile, the prices of several food commodities are stuck at high levels

Natural gas and oil prices on a declining trend, while coal remains high due to demand shift to this commodity in many countries

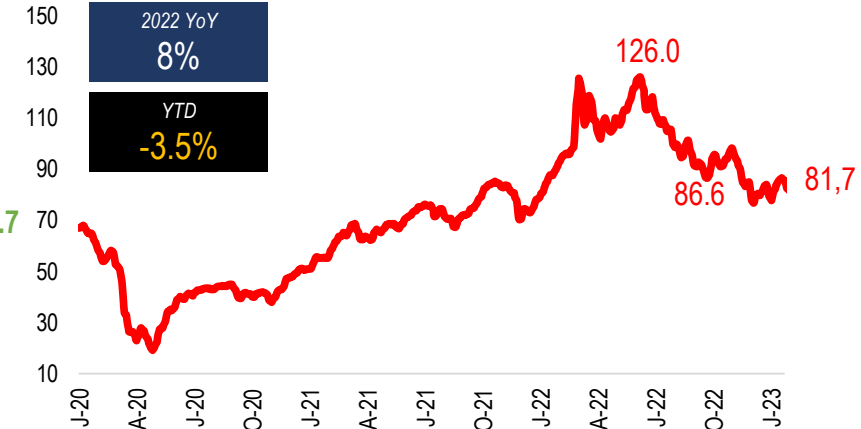
Natural Gas 5dma (US\$/MMBtu)



Coal 5dma (US\$/Metric Ton)



Brent 5dma (US\$/barrel)



Increasing demand during the festive season and weather condition still hold up food prices, particularly soybean and corn

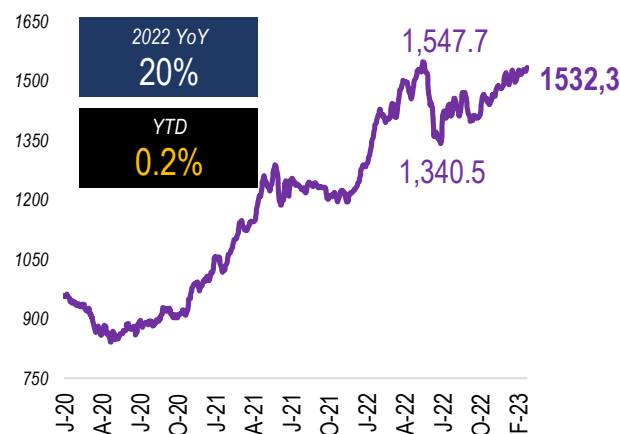
CPO 5dma (US\$/Ton)



Wheat 5dma (US\$/Bushels)



Soybean 5dma (US\$/bu.)



Corn 5dma (US\$/Bushels)



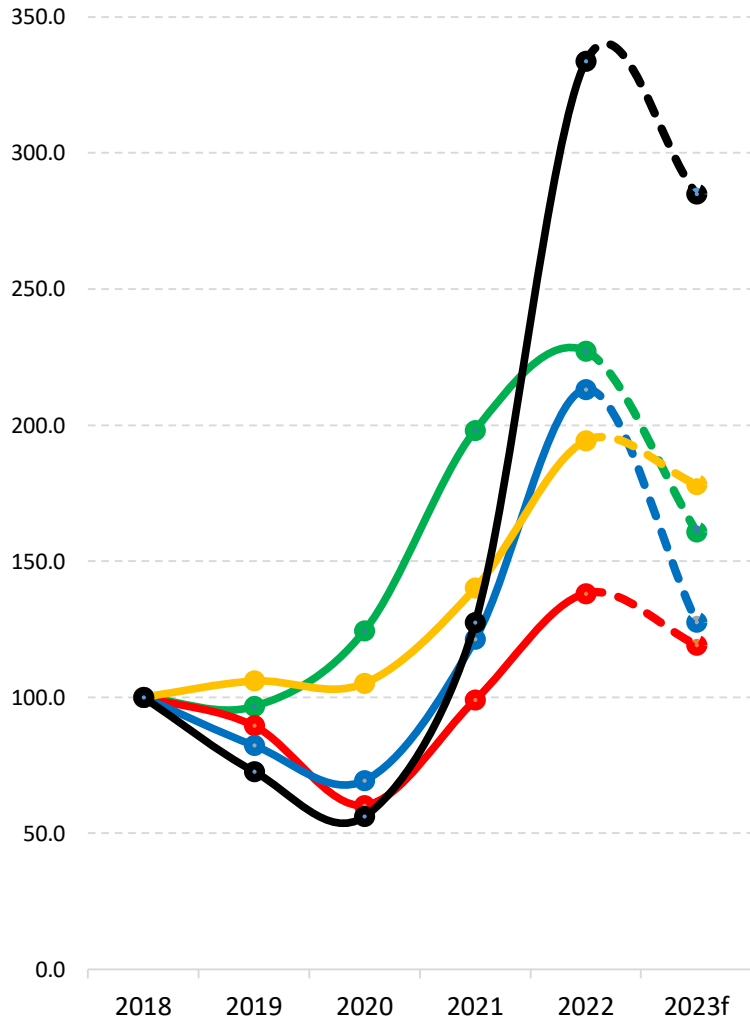


THE GLOBAL INFLATION RATE IS SHOWING A DECLINE

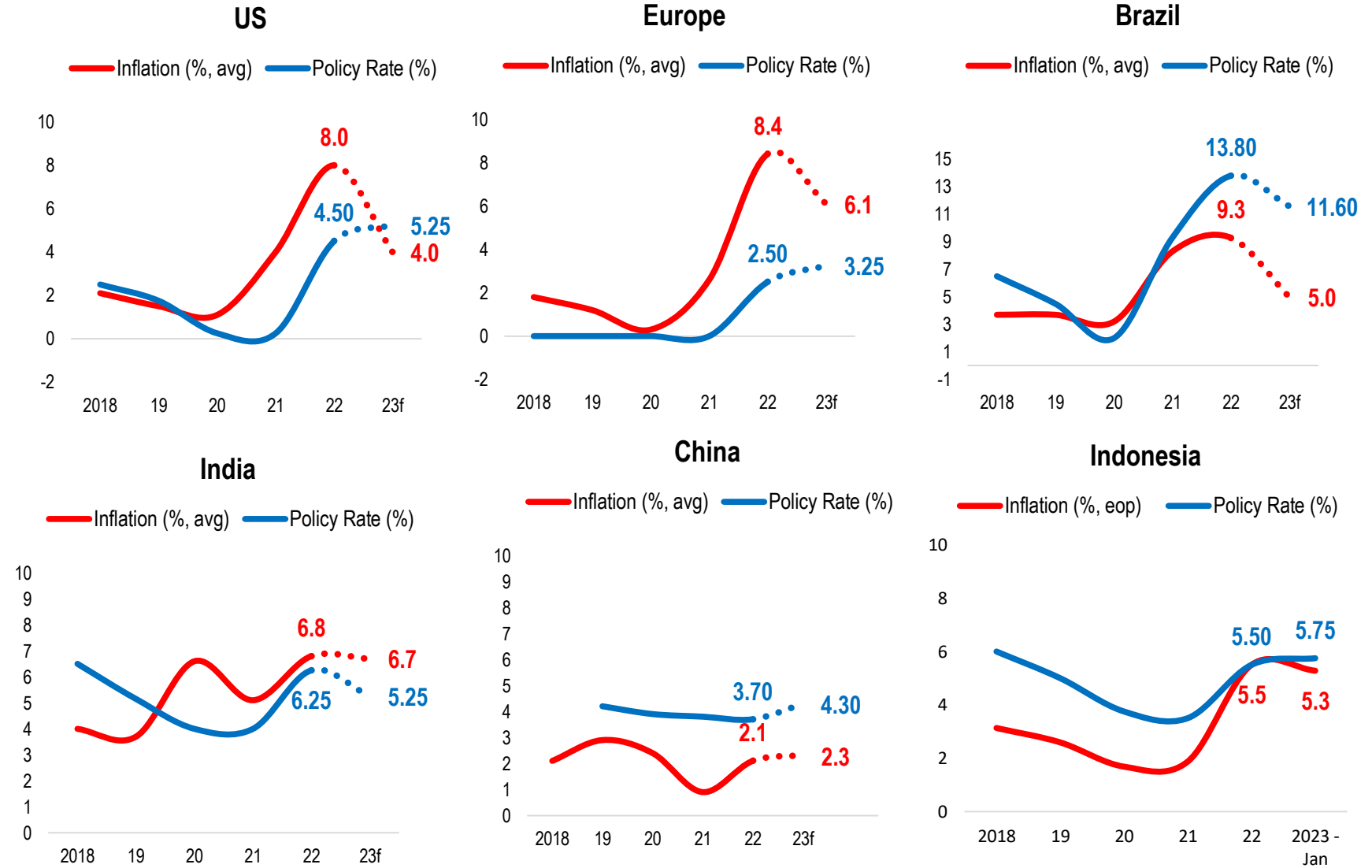
While inflationary pressures have been trending down in many emerging economies

Commodity Price Index (2018 = 100)

CPO Brent Gas Nickel Coal



Inflation and Policy Rate Projection



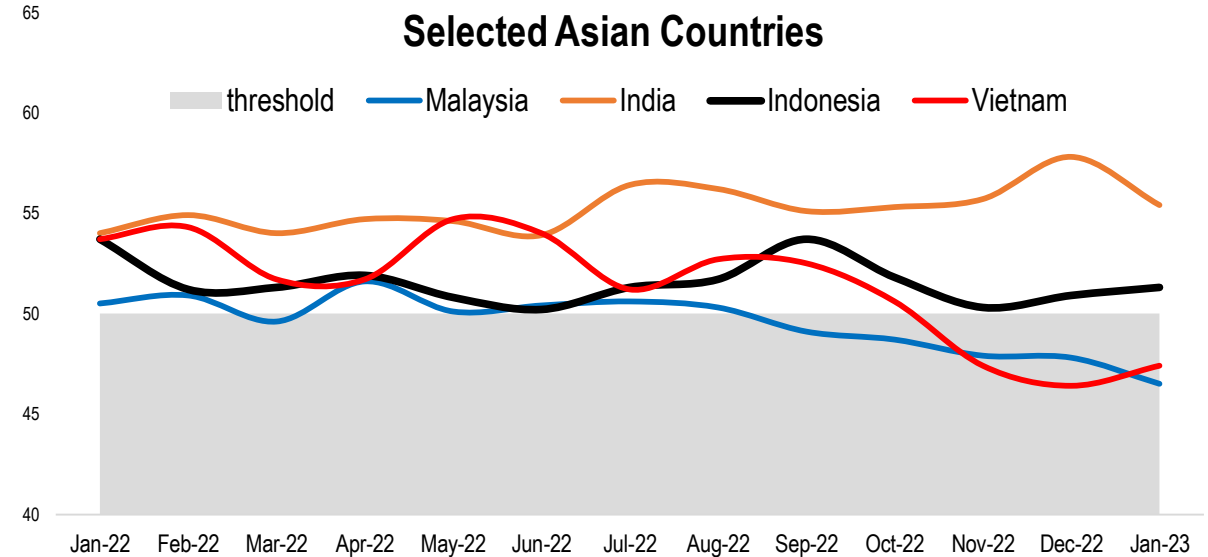
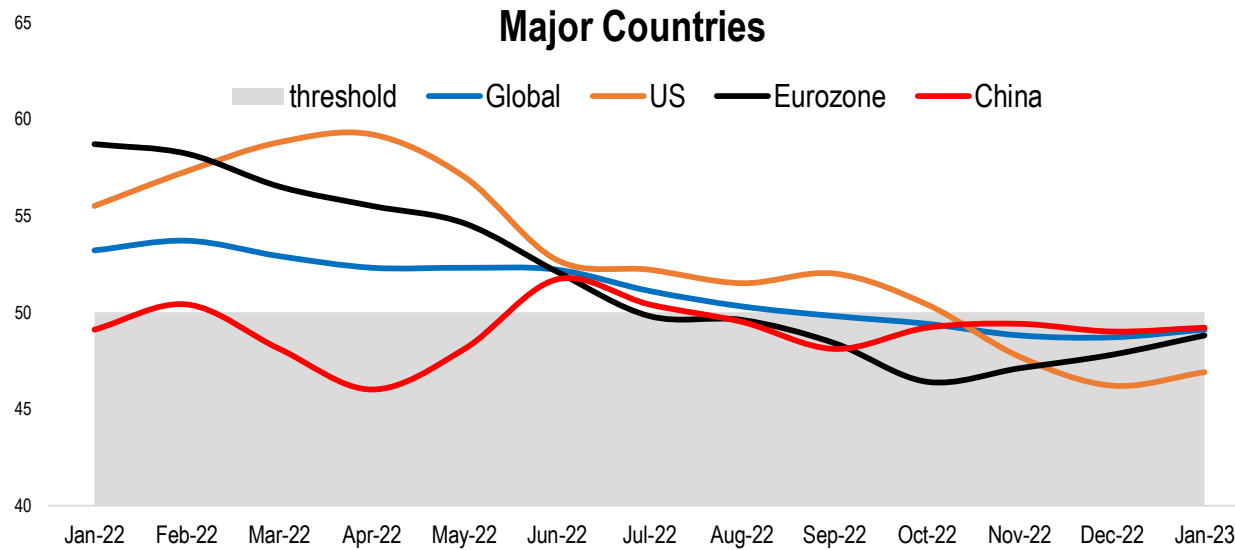
Source: Bloomberg forecast, the FED, Ministry of Finance



GLOBAL MANUFACTURE ACTIVITIES HAVE CONTRACTED TO THE LOWEST LEVEL IN 30 MONTHS

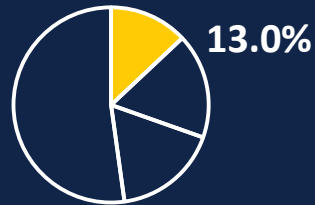
Indonesia PMI Manufacture continues to expand amid contractions in major economies such as US, Europe, China, and Japan

PMI Manufacture as of January 2023



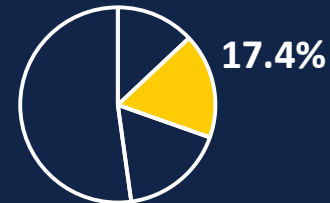
Distribution of January Manufacturing PMI Performance in the G20 and ASEAN-6 (minus SAU, ARG, SGP)

Expand - Accelerate



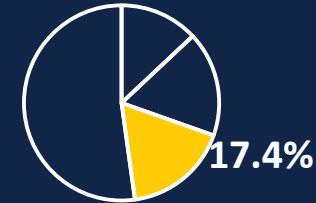
Indonesia, Thailand, Philippines

Expand - Slowing



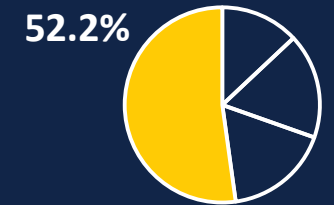
Australia, Russia, India, South Africa

Recovered



Italy, French, Turkey, Canada, Singapore

Contracted



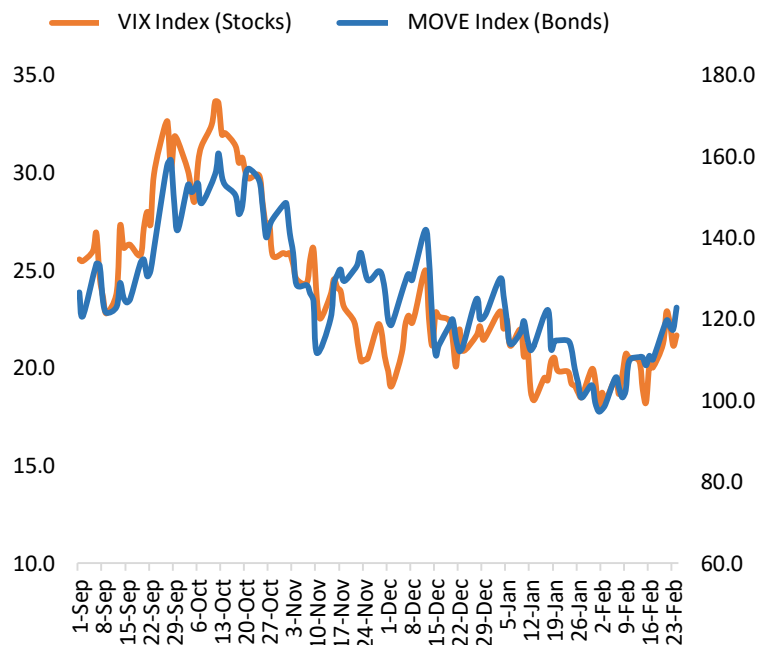
US, Mexico, Eurozone, UK, Germany, South Korea, Japan, China, Brazil, Malaysia, Vietnam, Singapore



FINANCIAL MARKET VOLATILITY EASING

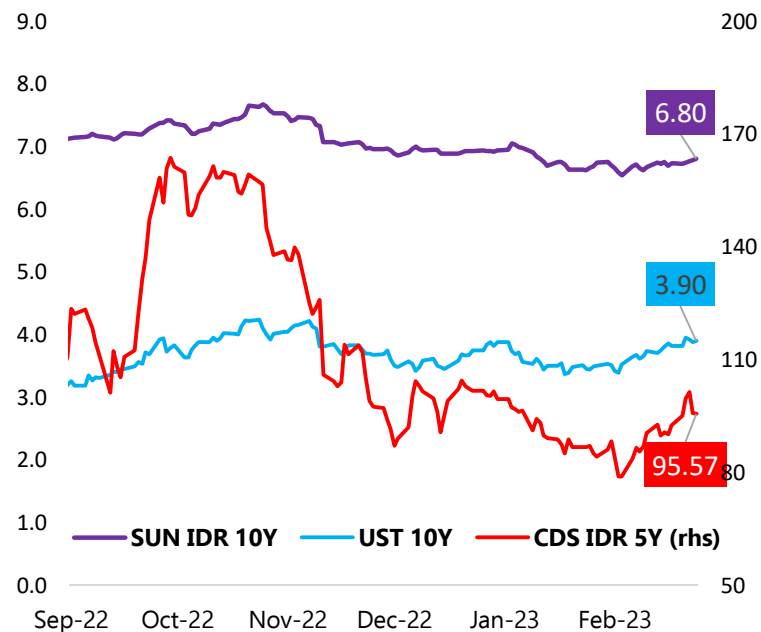
The Fed's monetary policy remains a concern for market players

Volatility Index



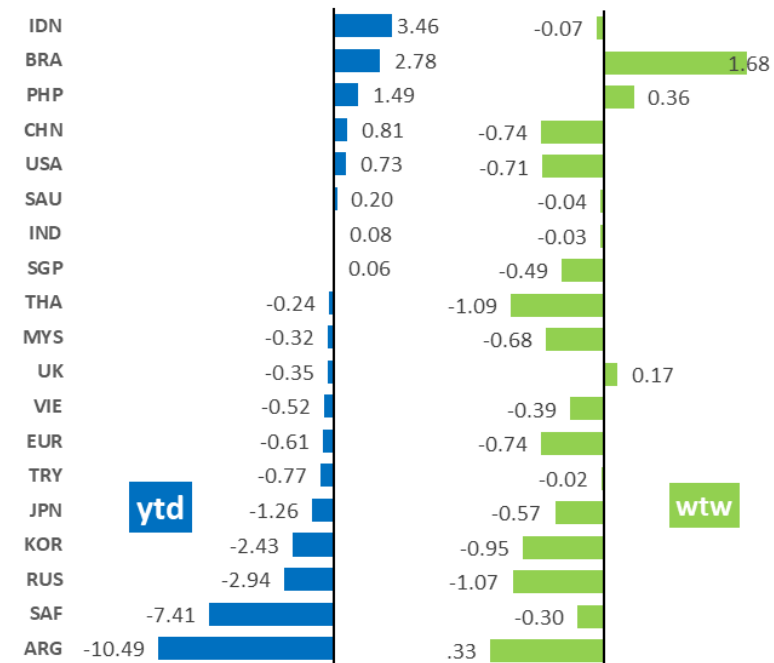
- The stock market volatility index (VIX) and bond market index (MOVE) are still downward after the February 2023 FOMC Meeting.

Bond Yield Movements (24 Feb)



- Indonesia's CDS level tends to be sloping, indicating that investors' risk perceptions of Indonesia are maintained.
- The UST yield increased after the FOMC Meeting in February 2023, with conditions that tend to be the same after the FOMC Meeting in December 2022.

Comparison of Exchange Rate Movements (24 Feb)



- The YTD Dollar Index has started to move positively, and the Rupiah exchange rate has consistently shown an appreciating trend since early 2023 (gained 3.46%).



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02



INDONESIAN ECONOMIC OVERVIEW



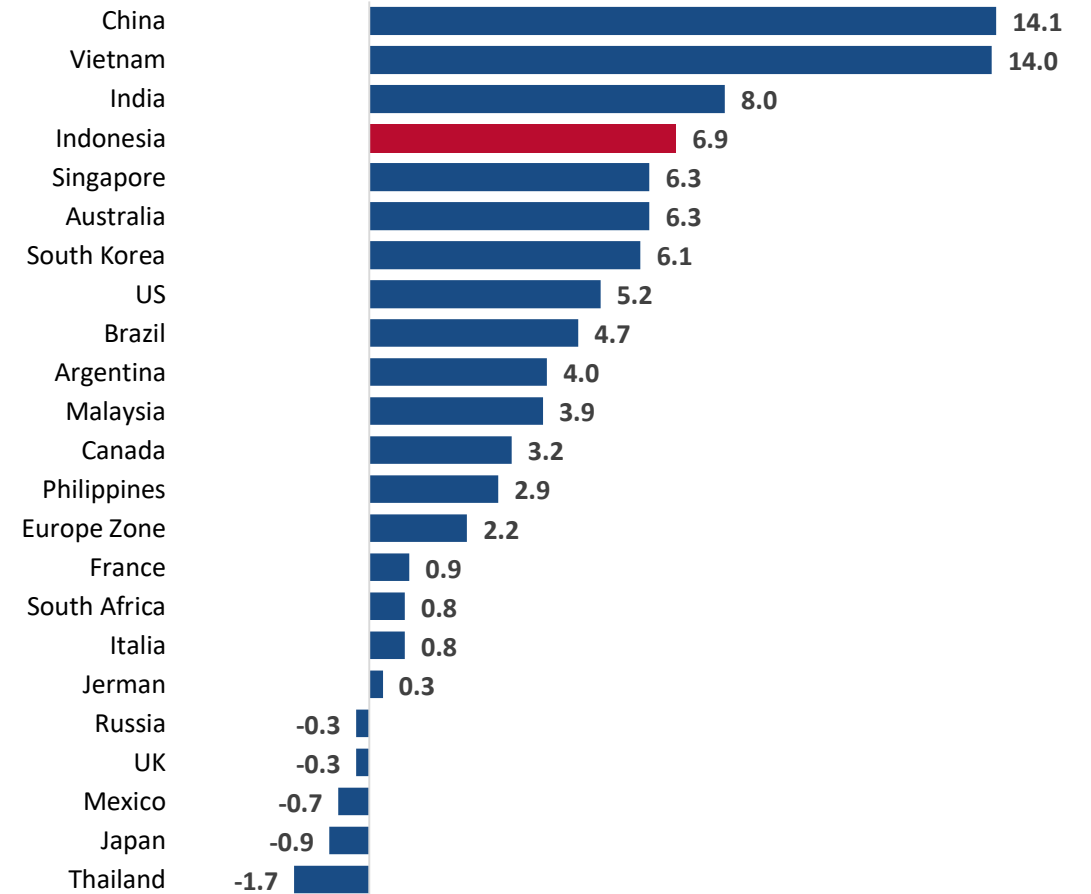
INDONESIA'S RECOVERY HAS BEEN AMONG THE FASTEST

Recording one of the highest real GDP level among G20 countries compared to pre-pandemic

2022 Economic Growth Realization/Outlook



Percentage of 2022 Real GDP to 2019 (pre-pandemic)



* Realization

Sources: IMF, Bloomberg

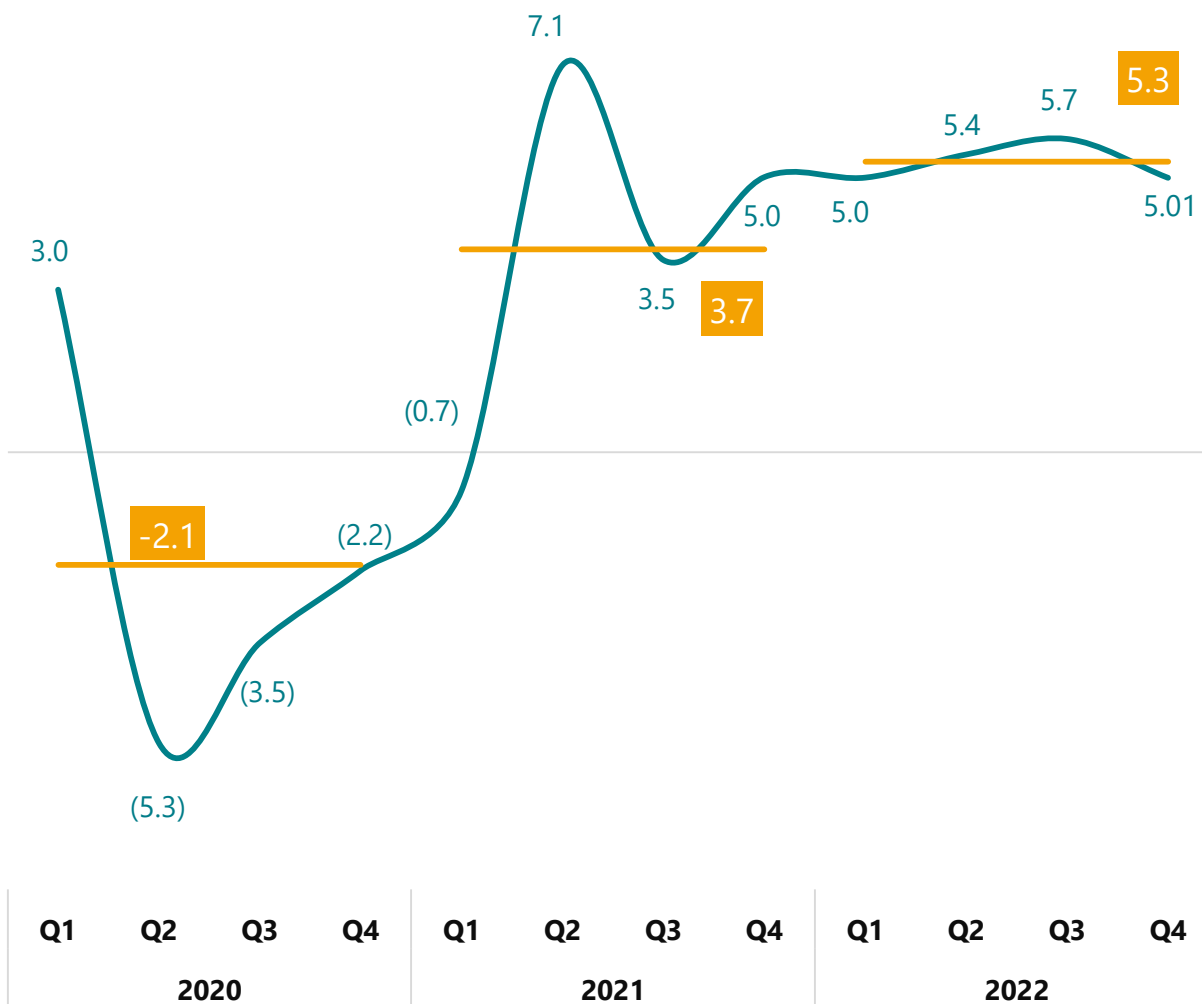


ROBUST DOMESTIC DEMAND IN TANDEM WITH STRONG EXPORT PERFORMANCE HAS BEEN THE MAIN DRIVER OF SOLID RECOVERY

Indonesia's economic expansion accelerates amidst increasing global economic uncertainty

Yearly GDP Growth

(% YoY)



- Public consumption stability can be well maintained in 2022. Fiscal support in reducing price pressures is effective in maintaining purchasing power stability
- Efforts to downstream natural resources, especially minerals, are one of the main sources driving export performance in 2022.
- The main investment is driven by engine and vehicle components. As a result of the continued downstream policy of mineral resource products.

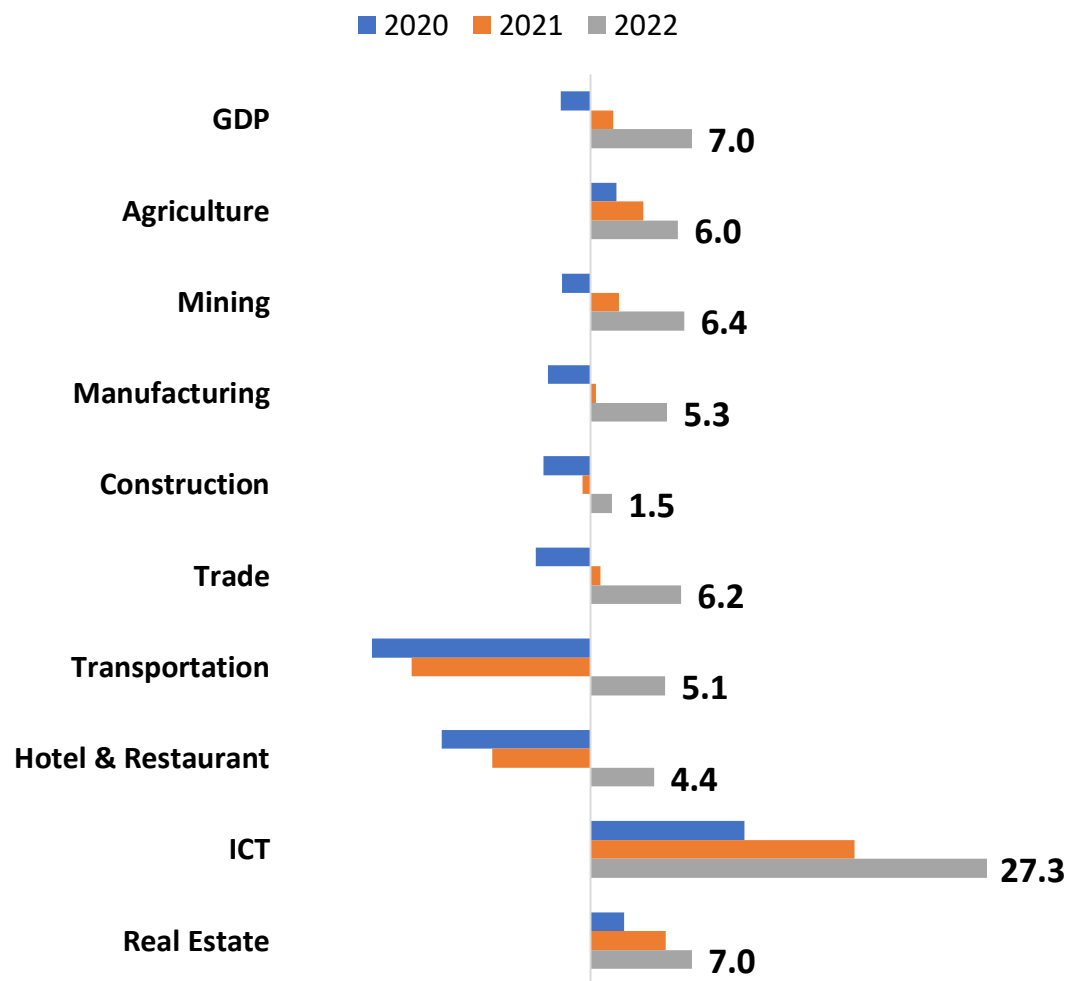
Share (% GDP)	Expenditure	2021					2022				
		Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY
50.4	HH Cons.	-2.2	6.0	1.0	3.6	2.0	4.3	5.5	5.4	4.5	4.9
7.6	Gov. Cons.	2.5	8.1	0.6	5.2	4.2	-6.9	-4.9	-2.9	4.8	-4.5
28.6	Investment	-0.2	7.5	3.8	4.5	3.8	4.1	3.1	5.0	3.3	3.9
26.2	Export	6.9	31.5	29.2	29.8	24.0	16.7	20.0	21.6	14.9	16.3
(21.7)	Import	4.4	31.8	29.9	29.6	23.3	15.9	12.4	23.0	6.3	14.8
	GDP	-0.7	7.1	3.5	5.0	3.7	5.0	5.4	5.7	5.0	5.3



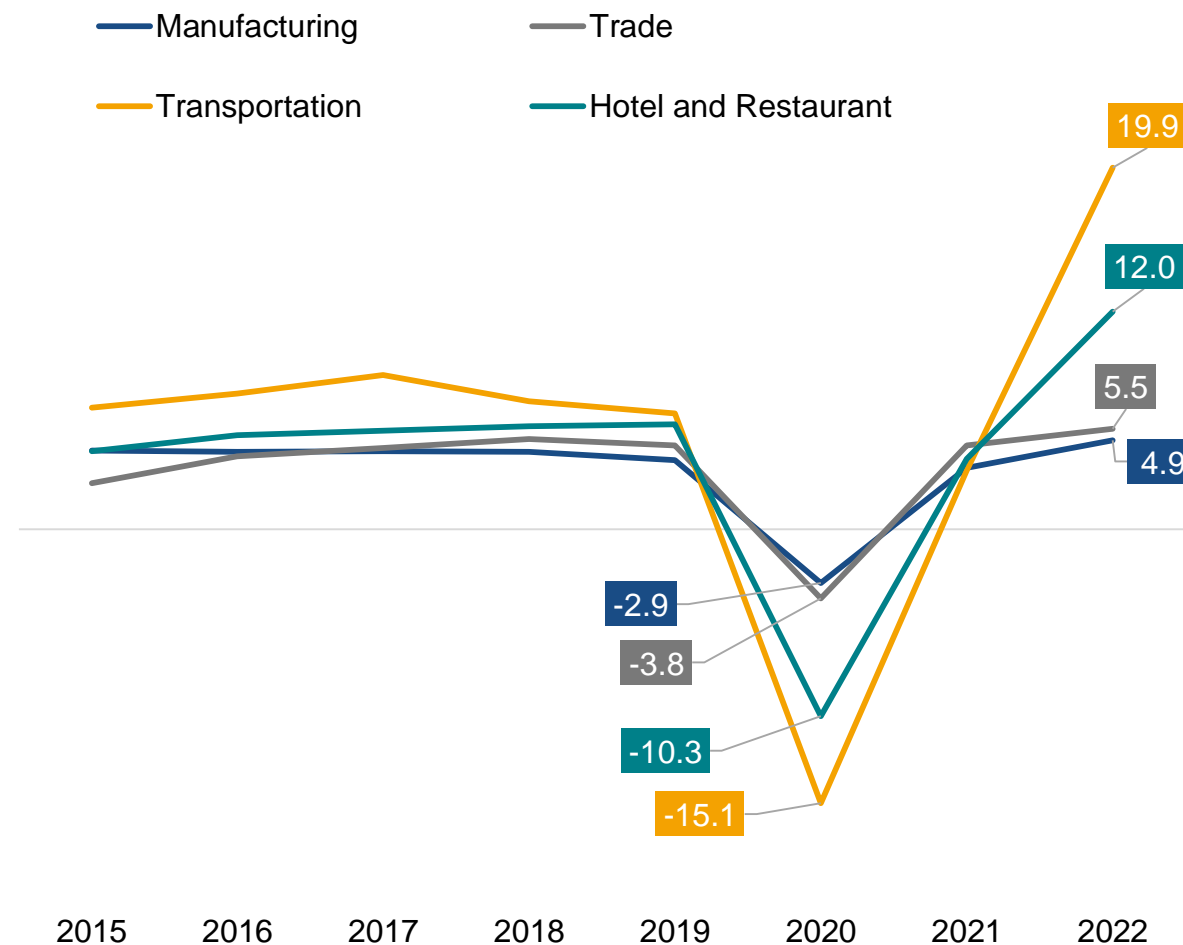
SECTORAL WISE, THE RECOVERY HAS BEEN RELATIVELY BROAD-BASED

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

GDP GROWTH COMPARING TO PRE-PANDEMIC LEVEL (% ,YOY)



LEADING SECTOR GROWTH (% ,YOY)

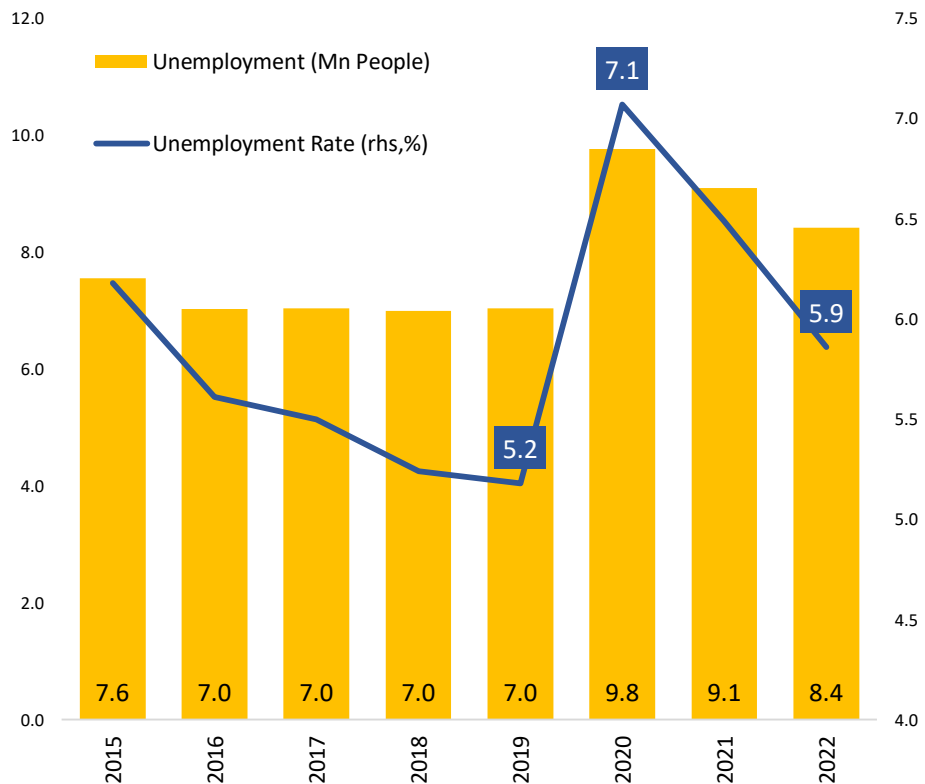




UNEMPLOYMENT AND POVERTY RATES HAVE DECLINED

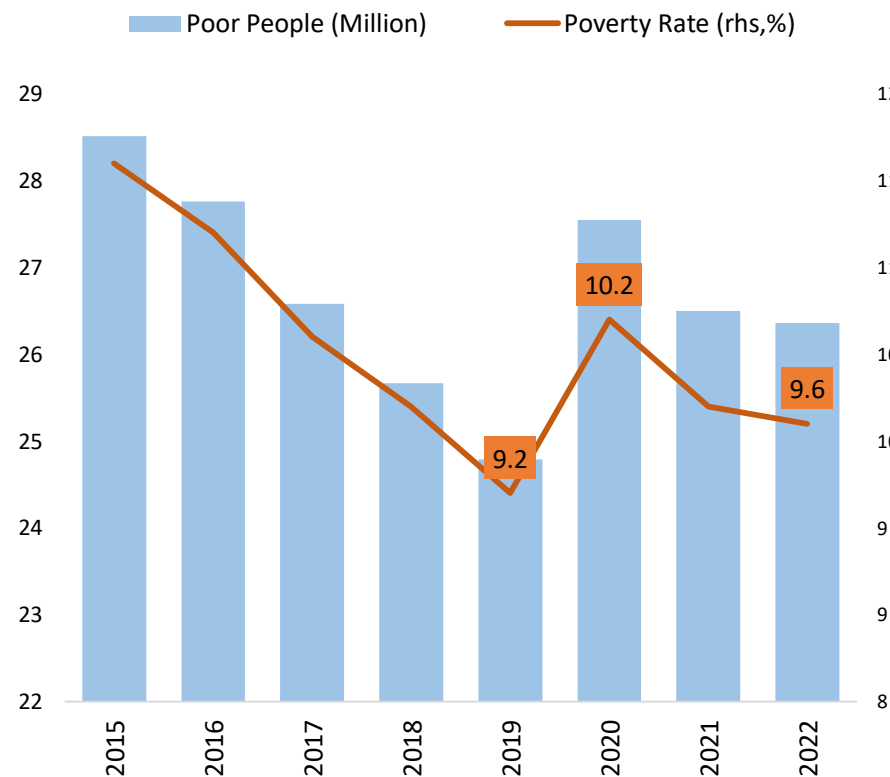
Along with the economic recovery and the easing of the Covid-19 cases

Unemployment Rate



Acceleration of job creation from the high value-added sectors is needed to overcome the scarring effect

Poverty Rate



The reduction in the unemployment rate and poverty rate needs to be accelerated, especially in relation to extreme poverty

The budget's serious efforts for poverty reduction poverty and have resulted in achieving the target of unemployment alleviation.

The poverty rate fell from double digits to single digit.

The decline in poverty and unemployment rates was driven by improved job opportunities and sustainable social protection programs.

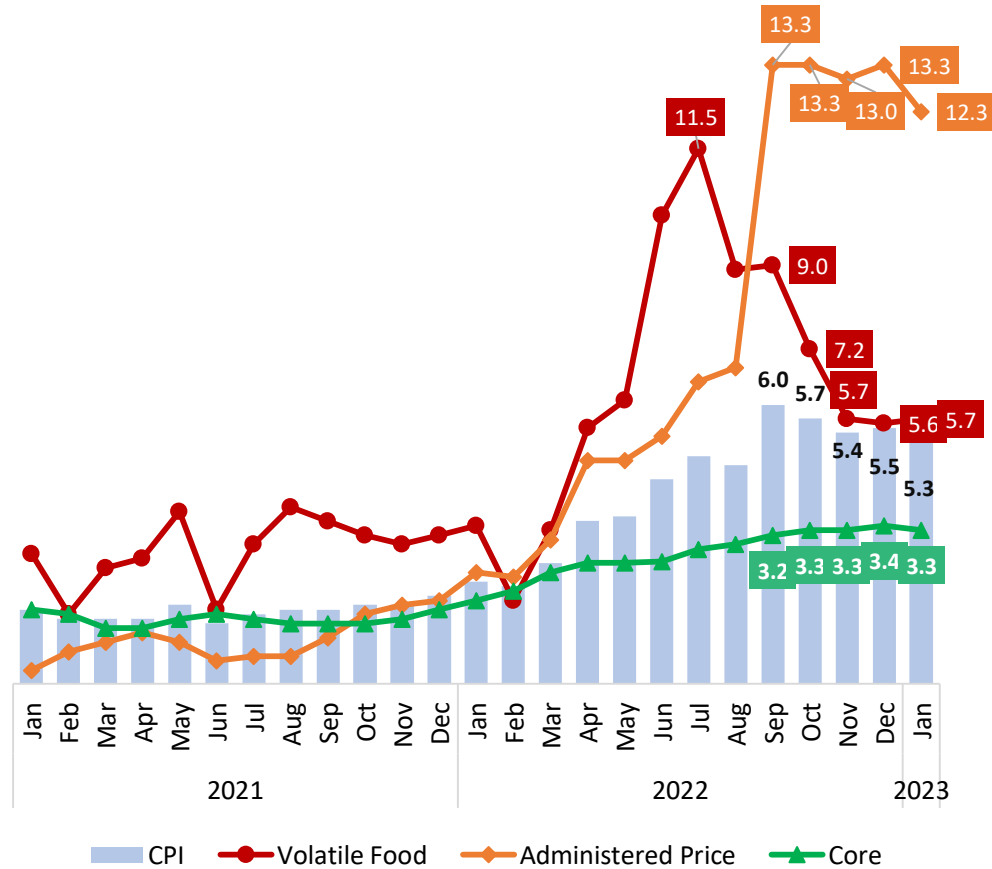


DOMESTIC INFLATION SLOWED SLIGHTLY IN EARLY 2023

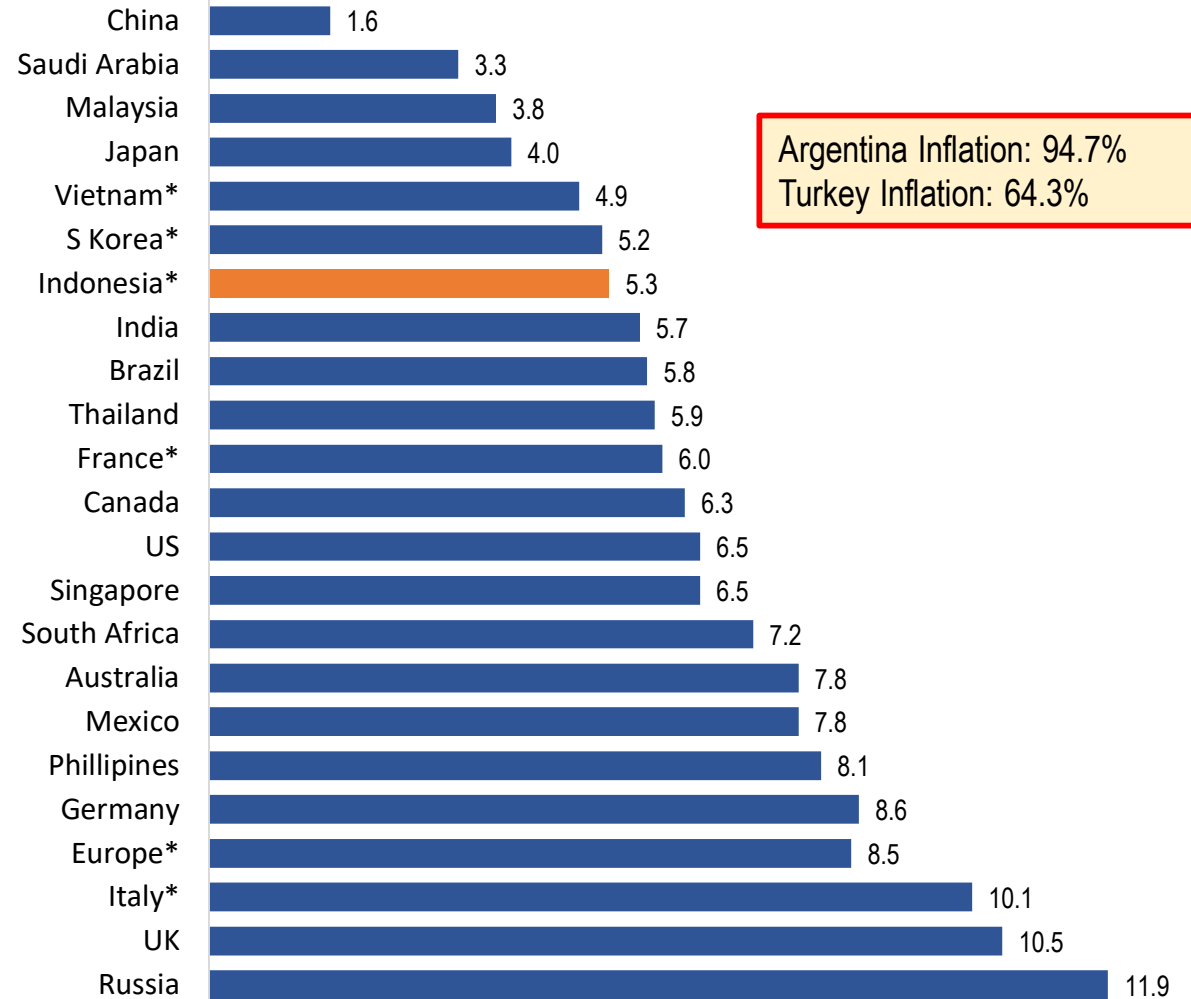
Various inflation control policies were pursued so that inflation could reach the target of 3.0% ± 1.0%

INFLATION DYNAMIC BY COMPONENTS

percentage, yoy



INFLATION BY COUNTRIES (NOV/DEC,% YOY)



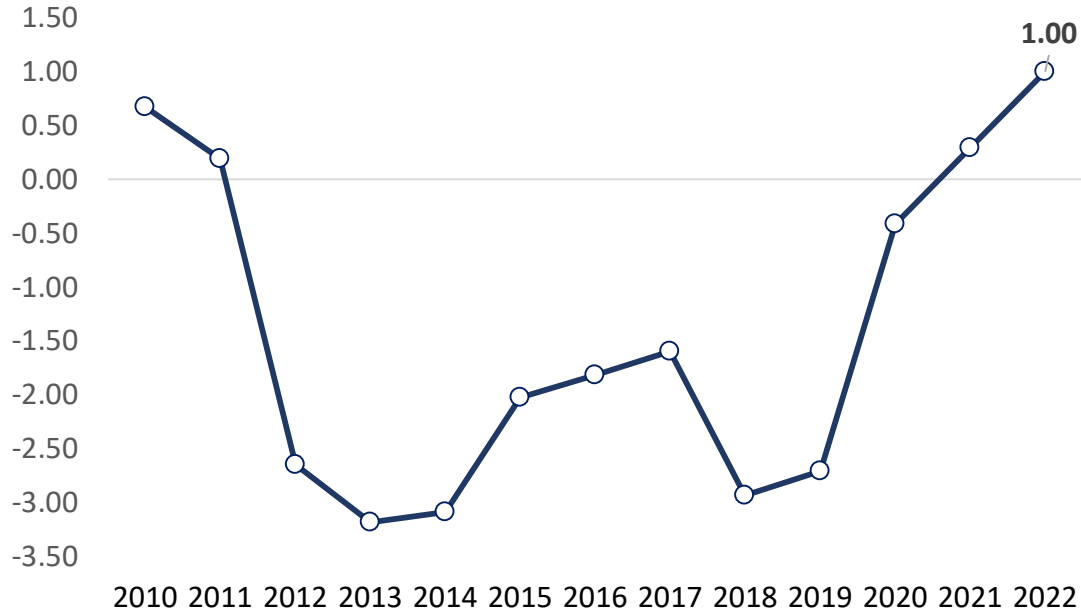
*) January Inflation



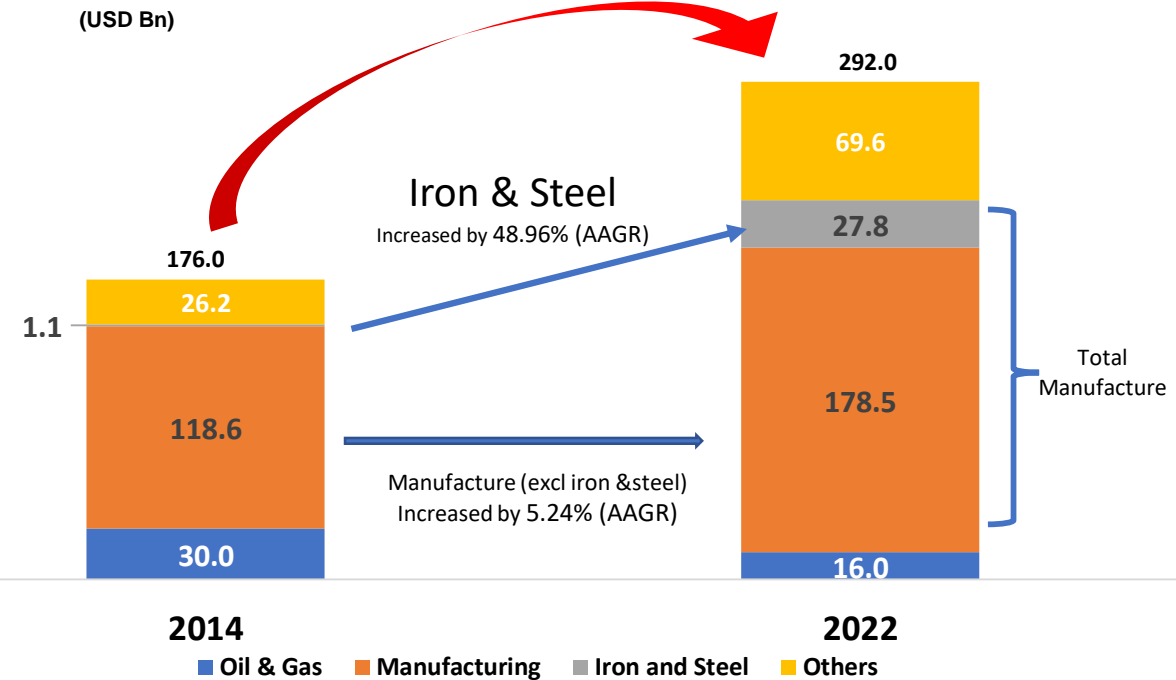
STRONGER EXTERNAL POSITION HAS BEEN BOOSTED BY DOWNSTREAMING PRODUCTS

Strong export performance and commitment to develop downstream products

Current Account Balance (% of GDP)



Comparison Of 2014 and 2022 Exports



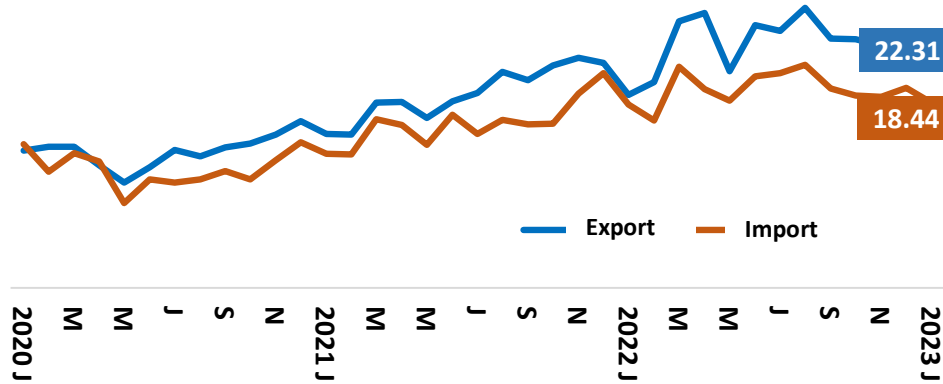
- The increase in export performance was driven by rising commodity prices and also natural resources downstream products
- remain vigilant over the impact of the global economic slowdown, particularly on some manufactured products.
- Export diversification (markets and products) needs to be encouraged, including strengthening downstream



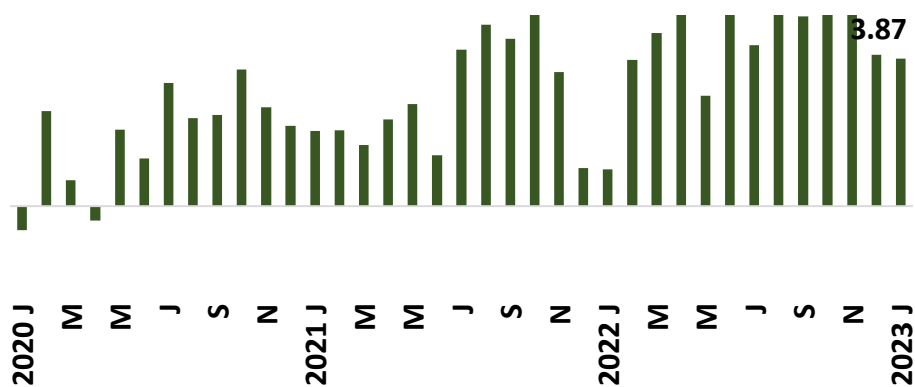
THE TRADE BALANCE RECORDED A SURPLUS

Export performance at the beginning of 2023 continued its positive trend

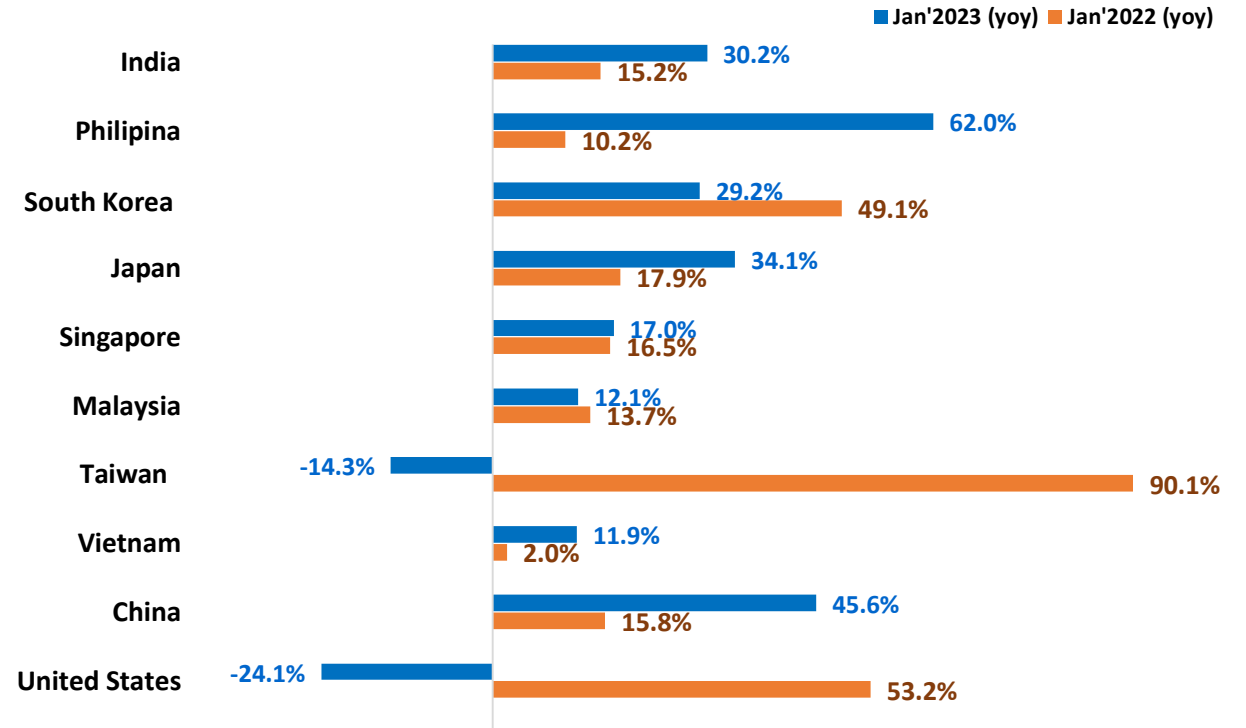
Development of Export and Import Indonesia (USD Billion)



Development of Trade Balance Indonesia (USD Billion)



Growth in Total Exports to Major Partner Countries, January 2022



- Exports in January 2023 were recorded at USD 22.31 billion (growing 16.4% yoy), and imports were recorded at USD 18.44 billion (growing 1.3% yoy)
- The January 2023 trade balance recorded USD 3.87 billion. The surplus trend continues into the 33rd month.

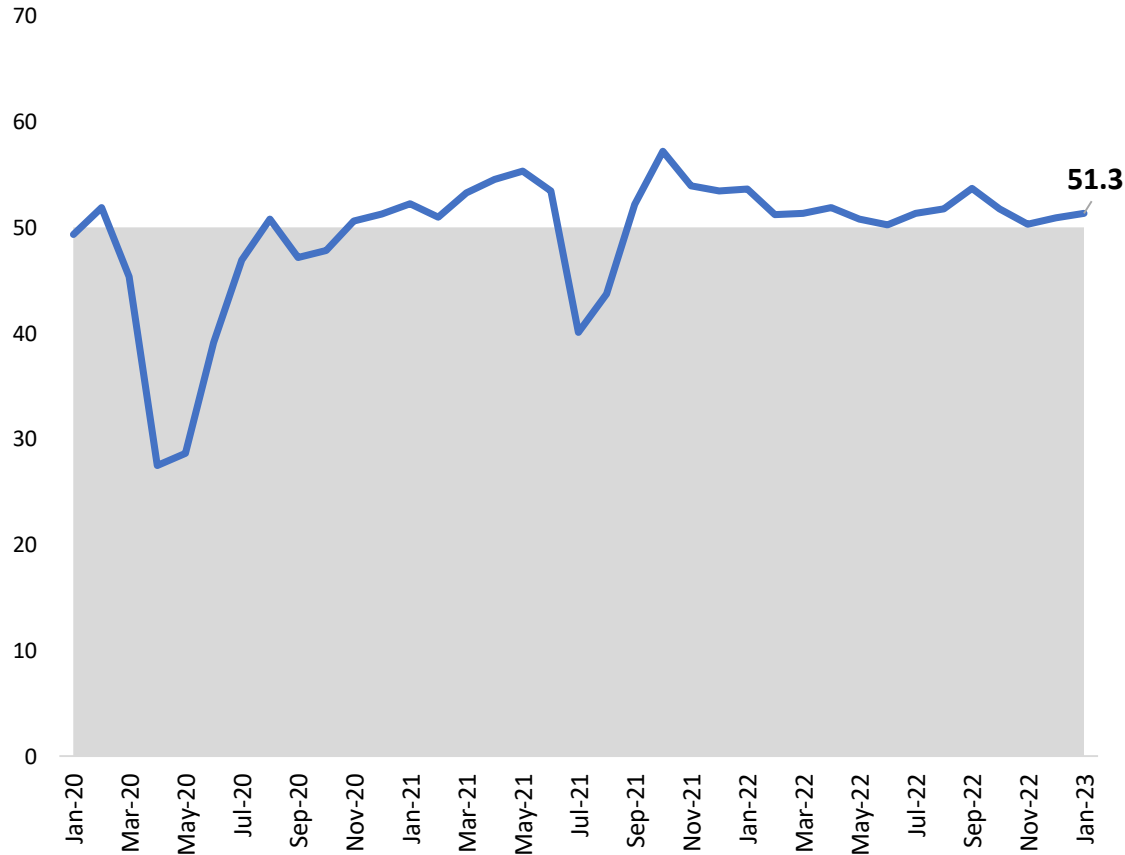


BOTH CONSUMER AND PRODUCER INDICATORS ARE EXPECTED TO PROVIDE BRIGHTER PROSPECT IN THE NEAR FUTURE

Indicating The Near-term Growth Prospect Remains Relatively Strong

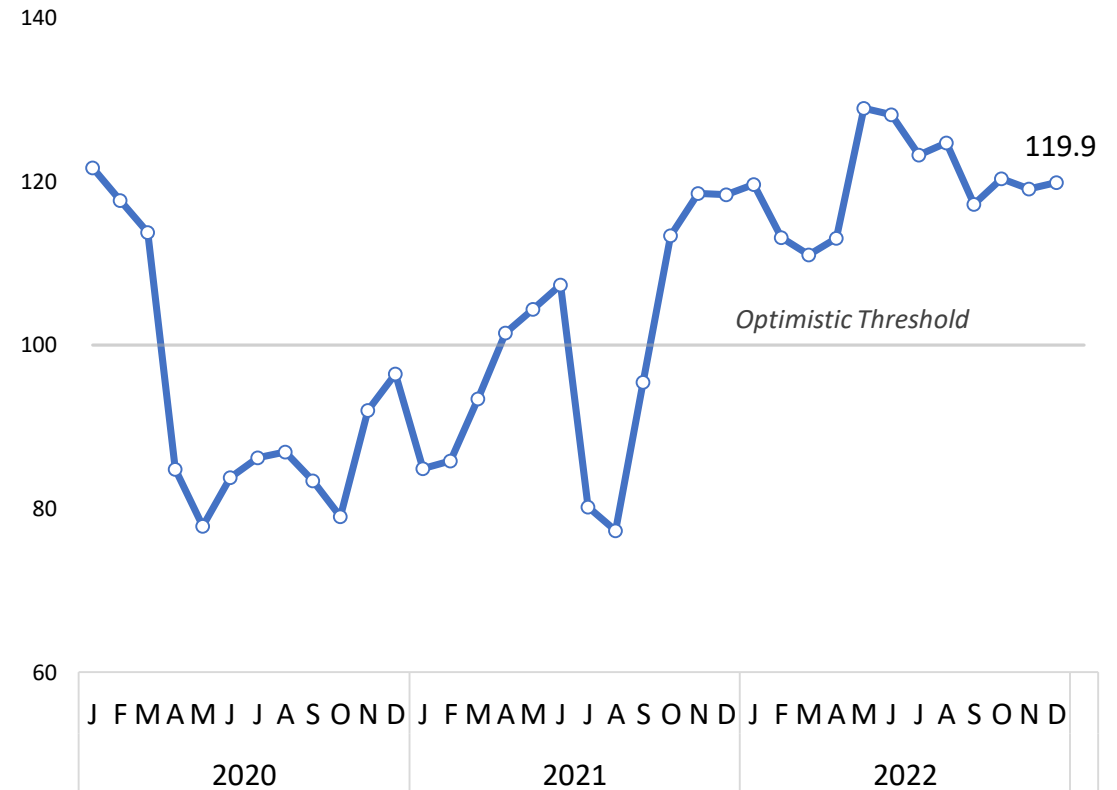
PMI Manufacturing Index

The **PMI Manufacturing Index** is still in the expansion zone, continuing its expansion trend for 16 consecutive months



Consumer Confidence Index

The **Consumer Confidence Index** remains in the optimistic zone

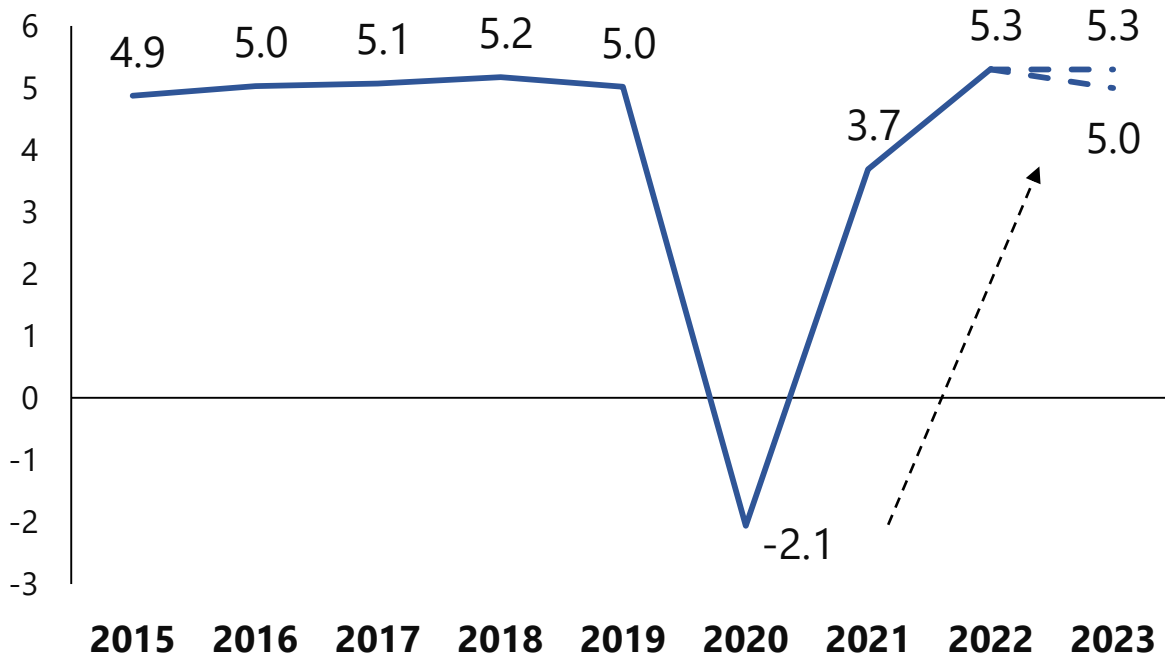




ROBUST NATIONAL ECONOMIC RECOVERY BECOMES A SOLID FOOTING AMID INCREASED GLOBAL RISKS IN 2023

National Economic Growth (YoY, %)

Source: Statistics Indonesia, MoF's Estimate



- The pace of economic growth in 2023 will remain resilient
- Domestic household consumption will remain stable
- State spending is expected to stimulate and maintain economic stability
- The rate of investment is expected to improve, while export performance will normalize

% , yoy	2020	2021	2022	2023F
Household Consumption	(2.6)	2.0	4.9	4.9 - 5.3
Nonprofit Institution Cons	(4.2)	1.6	5.6	7.8 - 8.2
Government Consumption	2.0	4.2	-4.5	0.8 - 1.2
Investment	(5.0)	3.8	3.9	4.1 - 4.7
Export	(8.1)	24.0	16.3	4.6 - 5.6
Import	(16.7)	23.3	14.8	3.4 - 4.5
GDP	(2.1)	3.7	5.3	5.0 - 5.3

International Agencies' Forecasts of National Economic Growth



2023 (WEO Jan-22):
4.8



THE WORLD BANK

2023 (GEP Jan-22):
4.8



2023 (ADOU Sep-22):
5.0



OECD

2023 (EO Nov-22):
4.7

Bloomberg

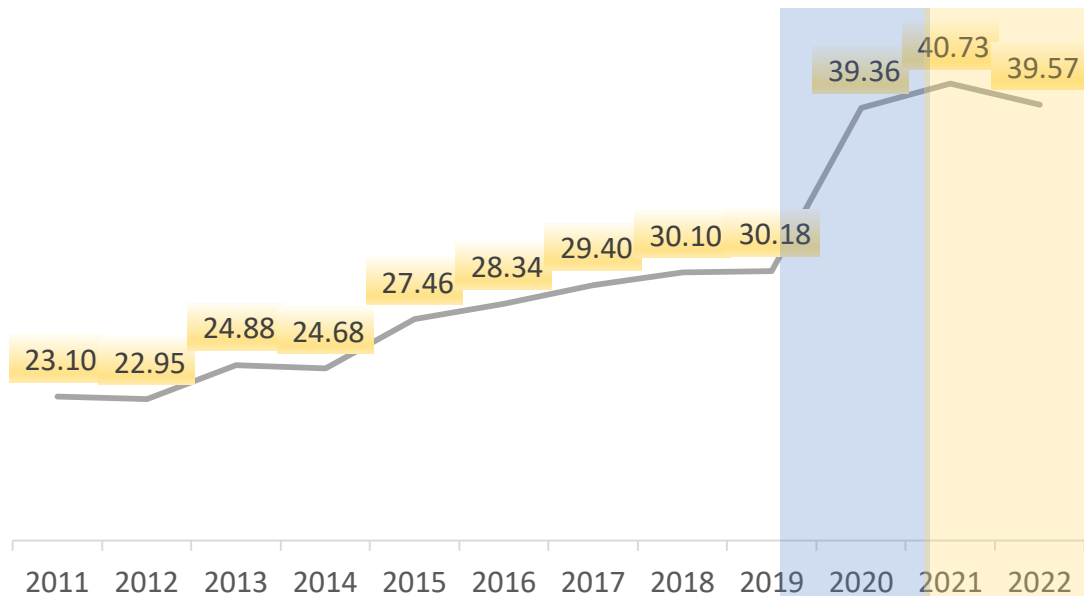
2023 (Consensus Jan-23):
4.9



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

Indonesia's economic prospects have received appreciations from International Institutions

Debt-to-GDP ratio on a Downward Trend

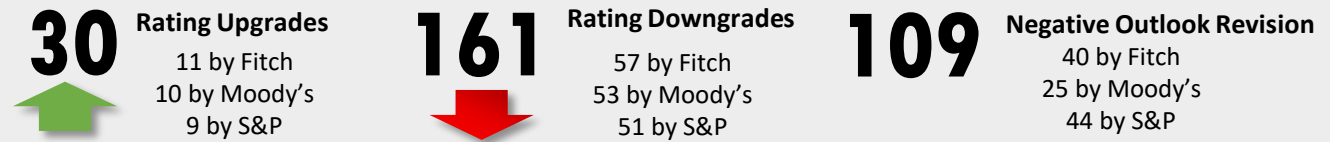


- The Covid-19 pandemic handling increased the Indonesia's debt ratio position in 2020-2021
- The Debt-to-GDP ratio in 2022 decreased to 39.57%, driven by controlling debt financing in line with the better performance of the government budget and the recovery of the economy

S&P upgraded Indonesia's outlook from negative to STABLE in line with rating affirmations by Moody's, Fitch, R&I and JCRA: 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	Assessment Date
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	14 December 2022



03



BUDGET UPDATES



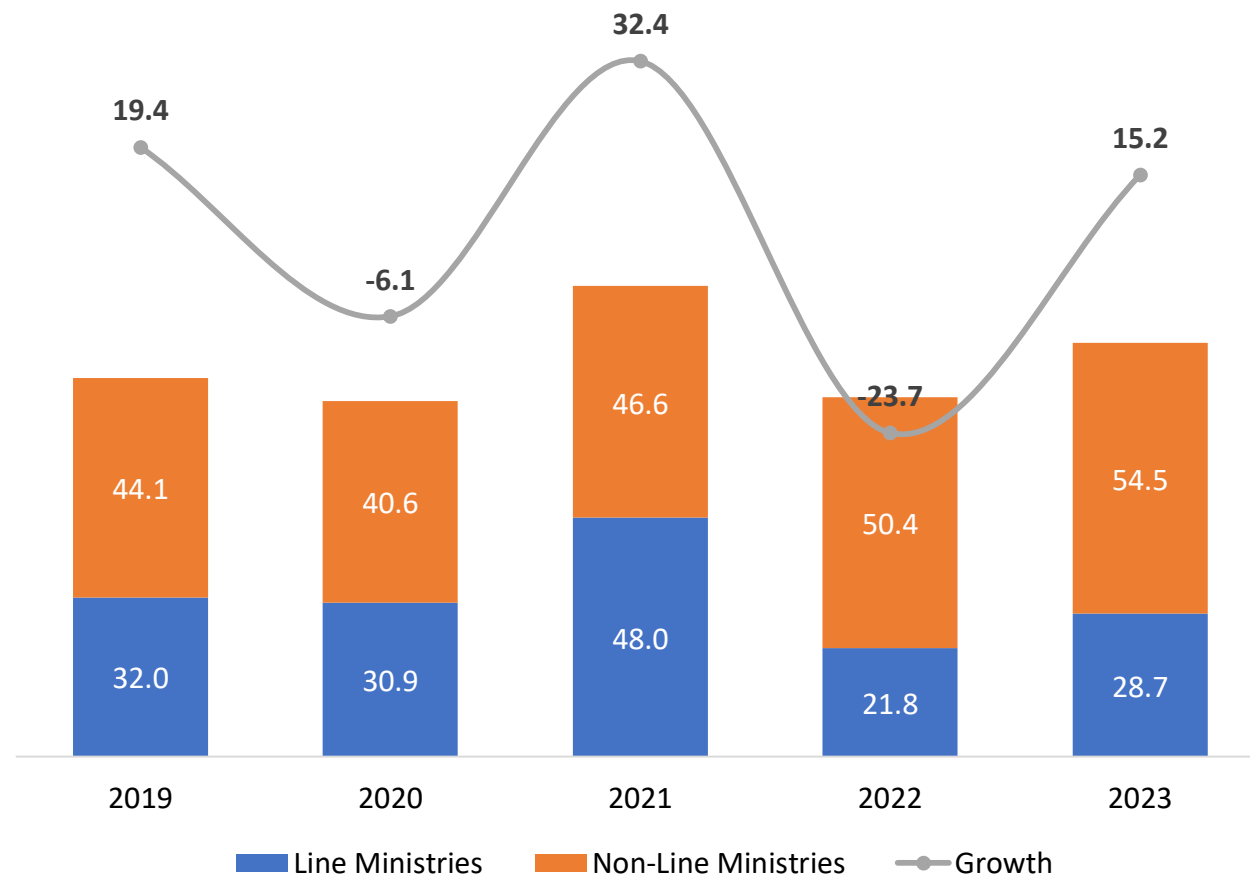
THE BUDGET PERFORMANCE AS OF 31 JANUARY 2023

Account (IDRtn)	2021		2022		2023			
	Realization as of 31 Jan	Growth (%)	Realization as of 31 Jan	Growth (%)	Budget	Realization as of 31 Jan	% to Budget	Growth (%)
A. Revenue	100.7	(4.2)	156.7	55.6	2,463.0	232.2	9.4	48.1
I. Tax Revenue	81.0	(5.2)	134.1	65.7	2,021.2	186.3	9.2	38.9
1. Tax	68.5	(15.3)	109.2	59.5	1,718.0	162.2	9.4	48.6
2. Custom & Excise	12.5	175.3	25.0	99.6	303.2	24.1	8.0	(3.4)
II. Non-Tax Revenue	19.7	0.3	22.6	14.5	414.4	45.9	10.4	103.0
B. Expenditure	146.2	4.5	127.2	(13.0)	3,061.2	141.4	4.6	11.2
I. Central Government	95.1	33.0	72.3	(24.0)	2,246.5	83.2	3.7	15.2
1. Line Ministries Spending	48.4	56.9	21.8	(54.9)	1,000.8	28.7	2.9	31.5
2. Non-Line Ministries Spending	46.6	14.8	50.4	8.1	1,245.6	54.5	4.4	8.1
II. Regional Transfer & Village Funds	51.1	(25.3)	54.9	7.5	814.7	58.2	7.1	5.9
C. Primary Balance	(20.8)	70.2	50.1	341.2	(156.8)	113.9	(72.7)	127.2
D. Surplus (Deficit)	(45.5)	30.8	29.6	165.0	(598.2)	90.8	(15.2)	207.1
% to GDP	(0.27)		0.15		(2.84)	0.43		
E. Financing	166.6	141.8	(2.2)	(101.3)	598.2	95.9	16.0	(4,438.3)



CENTRAL GOVERNMENT EXPENDITURE TO PROMOTE ECONOMIC RECOVERY AND PROTECT THE PEOPLE

Central Government Spending



1 The Line-ministries spending (spending on personnel, goods, capital, and social assistance), especially for:

- accelerating the distribution of School assistance fund
- procurement of tools/machinery, buildings, and infrastructure
- maintenance of roads/networks/irrigation/state-owned assets;
- distribution of social assistance, including the operational activities of Line ministries .

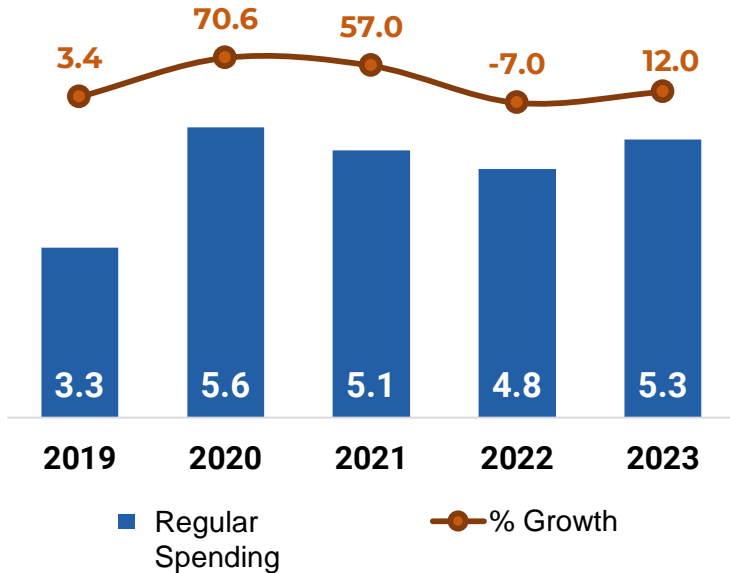
2 Non-Line Ministries spending are mainly for payment of pension benefits and distribution of non-energy subsidies.



MAINTAINING PRIORITY SPENDING

Health Spending

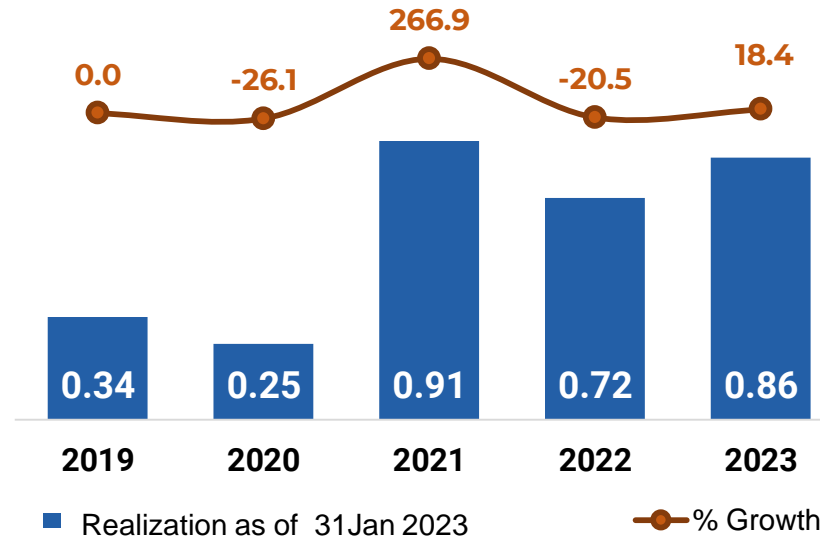
IDR Trillion



- Distribution of contribution assistance to participants Recipients of Health Insurance Contribution Assistance
- Armed Forces Hospital Health Service

Food Security Spending

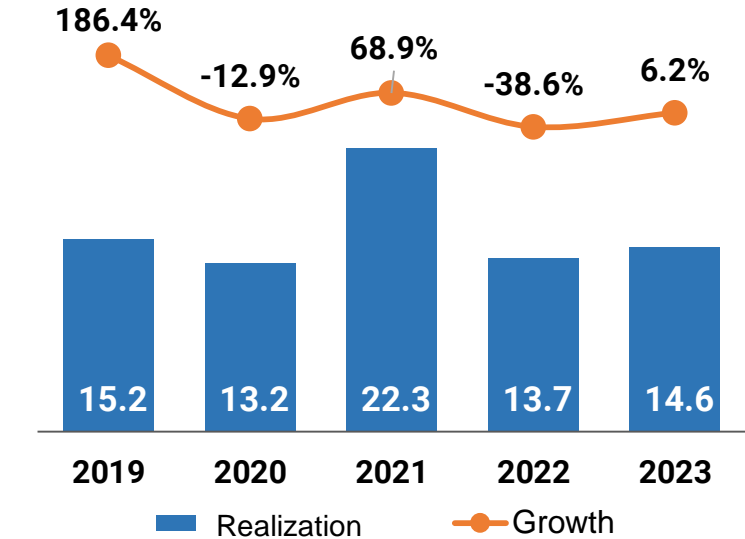
IDR Trillion



- Construction of dams and irrigation

Social Assurances Spending

IDR Trillion

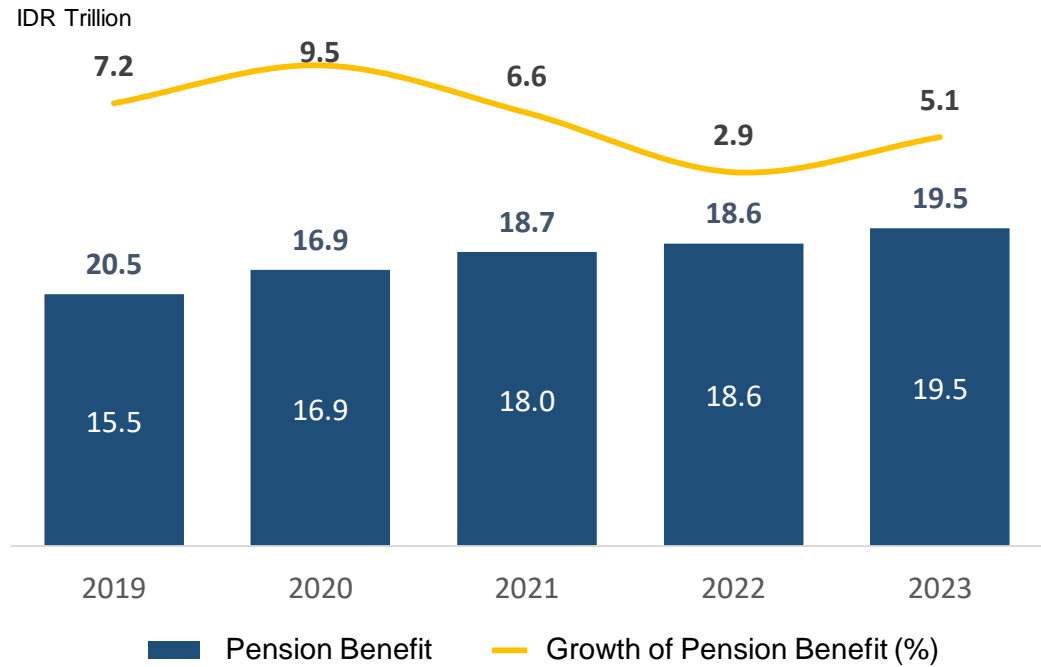


- Distribution of disaster assistance and assistance to persons with disabilities
- Distribution of Indonesian Smart Card for collage students
- Interest subsidies for People's Business Credit



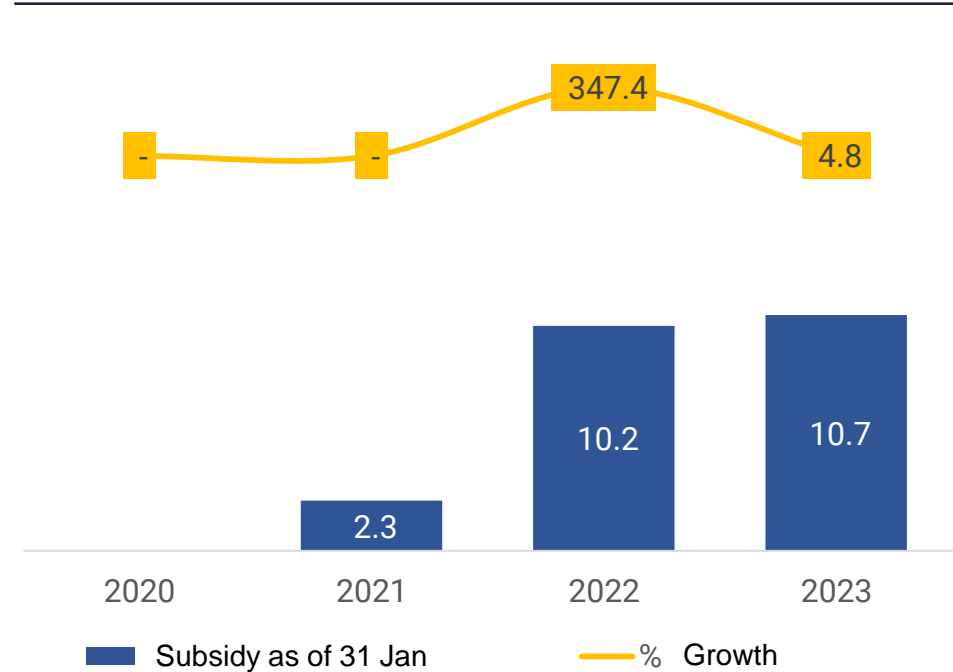
NON-LINE MINISTRIES SPENDING TO SUPPORT THE SOCIAL PROTECTION

Payment of pension benefits increases



Increase in the number of pension recipients (especially regional civil servant pensioners 2022: ±1.9 million; 2023: ±2.1 million).

Subsidy



Interest subsidy which is a disbursement of the previous year's KUR distribution

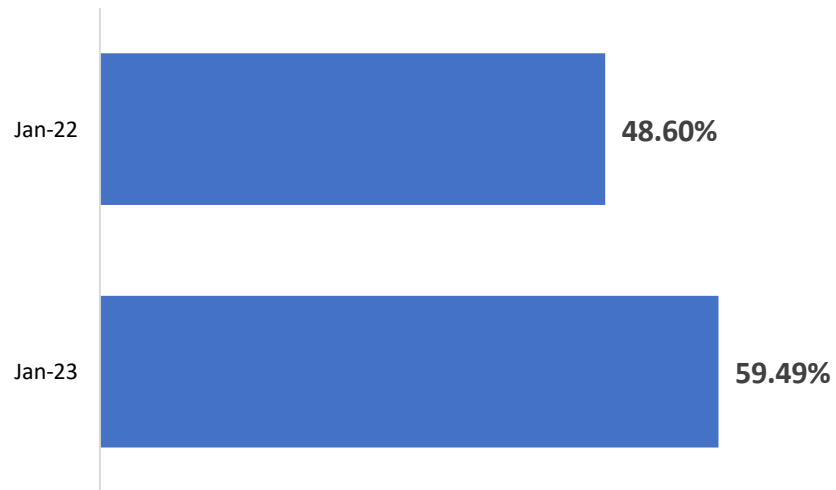


THE TAX GROWTH IS EXCELLENT BEGINNING IN 2023

Supported By High increase in year-end activities and implementation of the HPP Law

Great Tax Growth Starting in 2023

Tax Revenue Growth



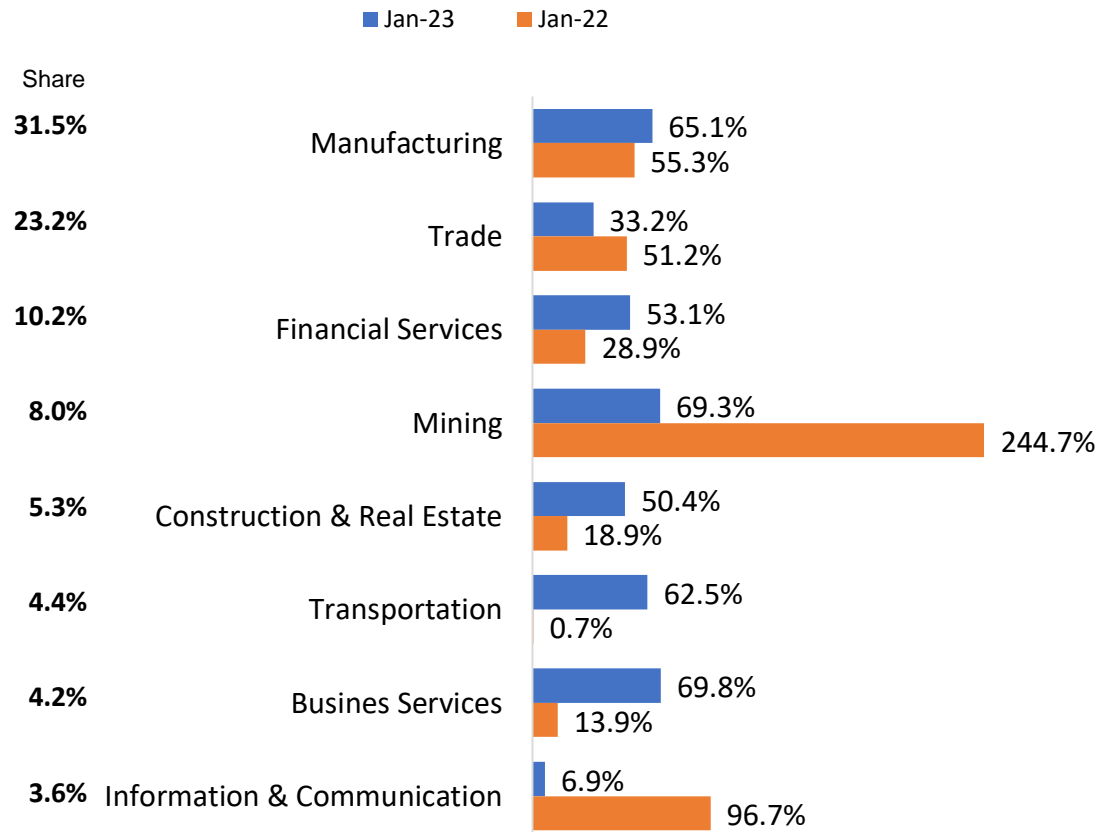
The tax revenue collection in January 2023 was largely contributed by:

- Economic activity increased in December in line with the Christmas and New Year holidays
- The impact of the implementation of the HPP Law
- Growth slowed from the previous year as growth in 2022 is still affected by a low base on 2021 revenues

Source: Ministry of Finance

Positive Growth in Main Sector Tax Revenue

Tax Performance (cumulative growth y-o-y)

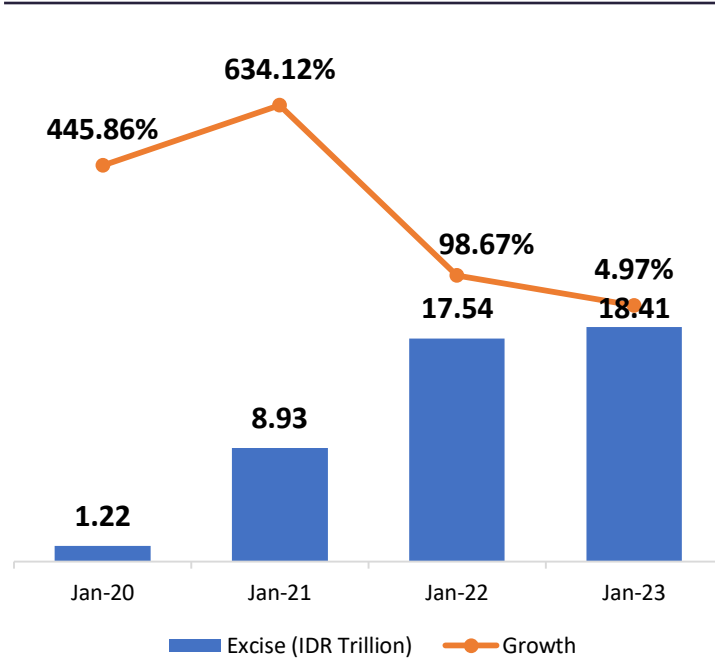




CUSTOMS AND EXCISE REVENUES ARE SLIGHTLY SLOW BUT ON-TRACK

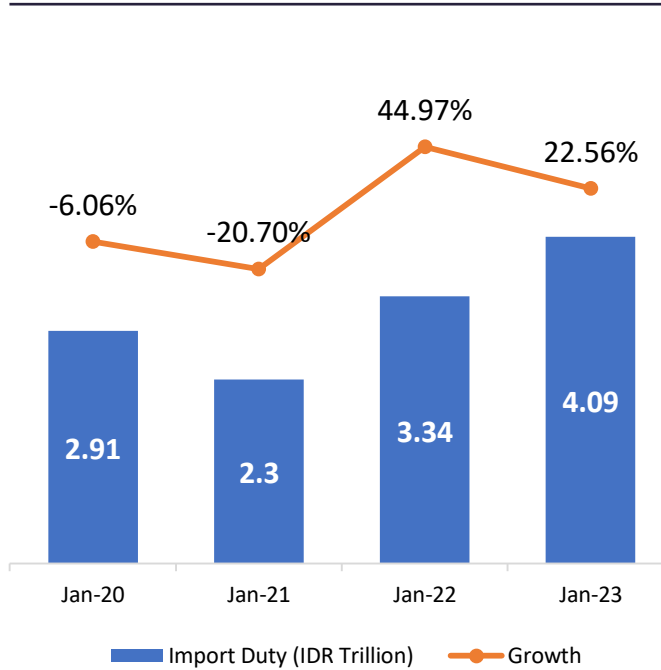
Due to decreased export duty receipts, but import duty and excise revenues still showed positive performance.

Excise Revenue



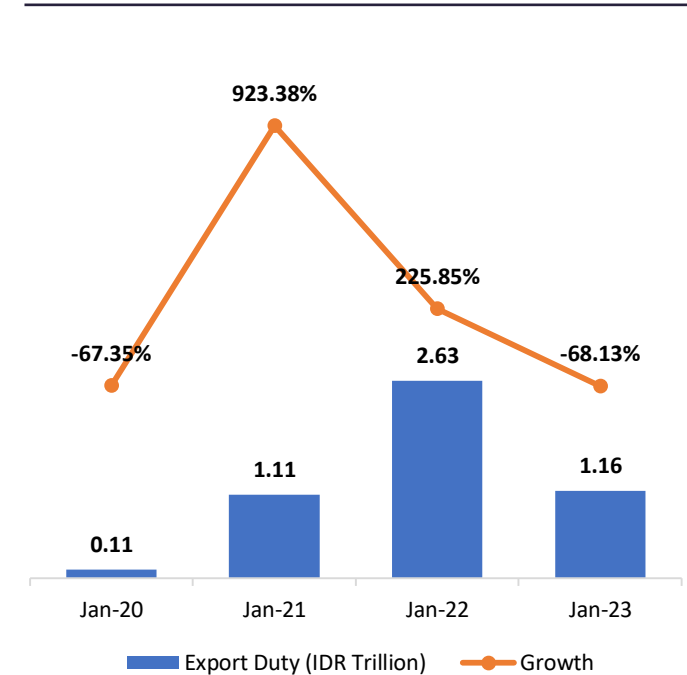
Influenced by the tariff policy, the spillover effect of Tobacco Price production in November 2022; and monitoring effectiveness

Import Duty Revenue



Driven by extra effort, the USD exchange rate has increased compared to last year, and import performance is still growing

Export Duty Revenue



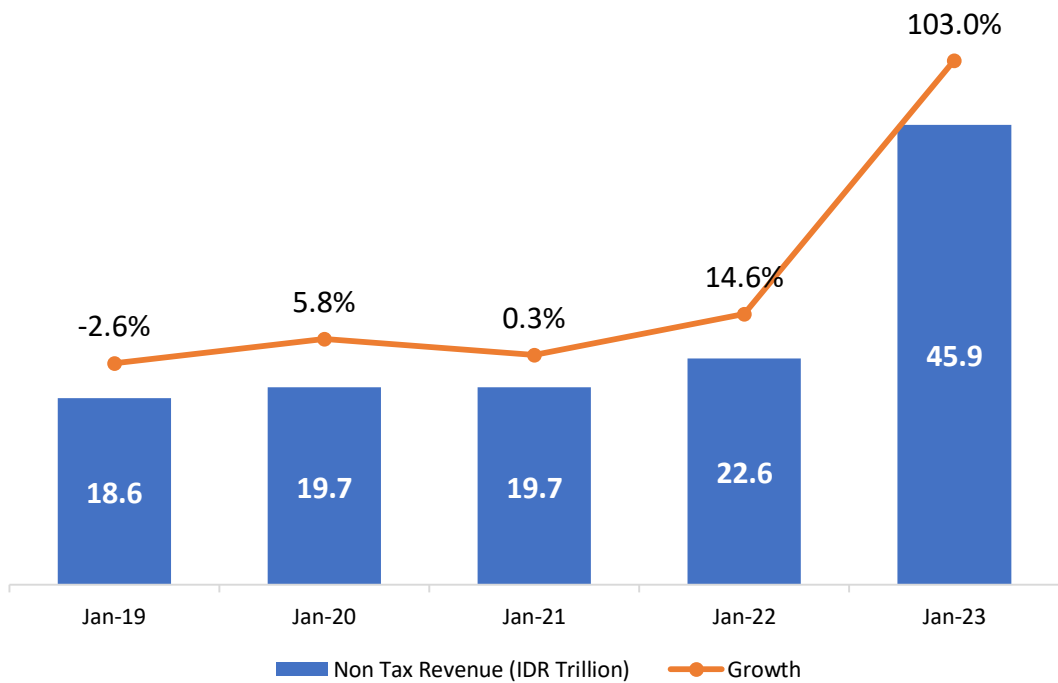
Affected by the moderated price of CPO and the decline in the export volume of mineral commodities



IN JANUARY 2023, NON-TAX REVENUE GROWTH SIGNIFICANTLY

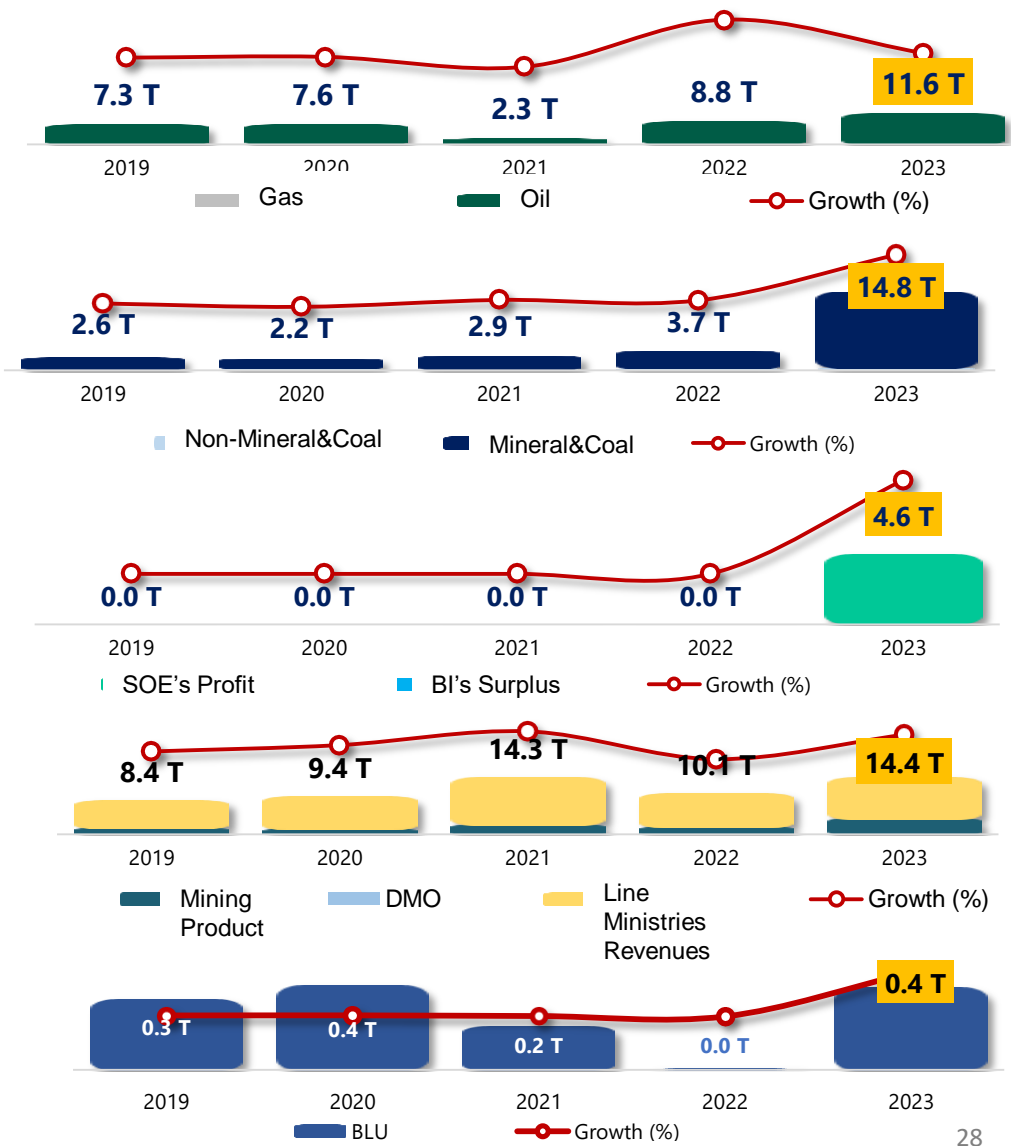
Mainly Driven by from Natural Resource Revenue, SOE's profit, and Other Non-Tax Revenue

Non-Tax Revenue



Source: Ministry of Finance

- Oil & Gas Revenue
- Non-Oil & Gas Revenue
- SOE's Revenue
- Other Non-Tax Revenues
- Public Services Agency (BLU) Revenue

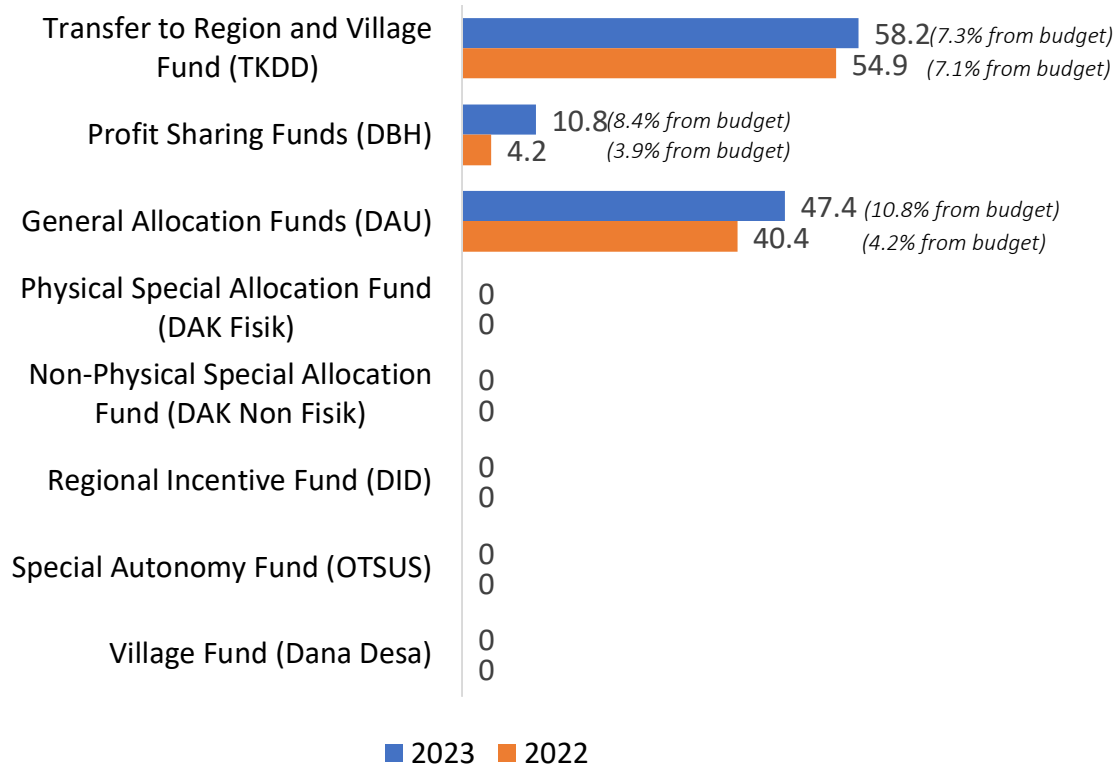




TRANSFER TO REGION DISTRIBUTION IN JANUARY 2023 IS HIGHER COMPARED TO JANUARY 2022

Transfer to Region Fund

(IDR trillion)



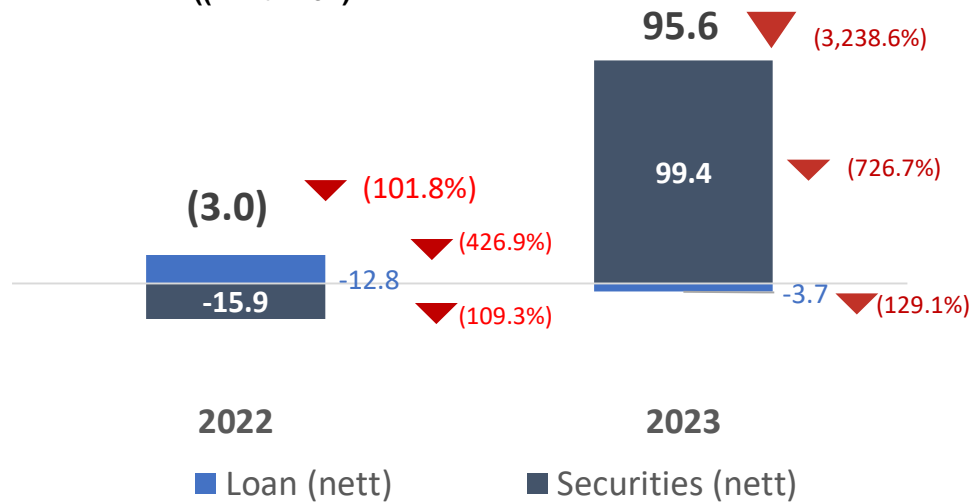
- Part of the transfer to regions funds have not been distributed because they are still waiting for the delivery of the distribution requirements from the Regional Government, and the distribution has not yet met the distribution schedule.
- The distribution of DBH is higher, especially from the increase in the mineral and coal DBH ceiling for FY 2023.
- The disbursement of DAU is lower because the distribution of the portion of DAU that is determined to be used is the fastest in February.
- Physical DAK disbursement is done in March at the earliest, as in previous years.
- The fastest distribution of Non-Physical DAK is carried out in February. Currently, recommendations for the distribution of School Operation Assistance funds from the Ministry of Education and Culture have been processed for distribution in February.
- Distribution of Village Funds began in February, waiting for the list of Village Cash Transfer recipients. Starting in 2023, Village Cash Transfer uses data on extreme poor residents.



BUDGET FINANCING APPLY PRUDENT, FLEXIBLE, AND OPPORTUNISTIC PRINCIPLE

Financing Realization Up To 31 January

((IDR trillion))



Government Securities (Net)	IDR 99.4 T
Loan (Net)	IDR (3.7) T
Domestic Loan (Nett)	Foreign Loan (Nett)
0	IDR (3.7 T)
<ul style="list-style-type: none"> Domestic Loan Withdrawal (Gross) 0 Domestic loan principal installment financing IDR 0 	<ul style="list-style-type: none"> Foreign Loan Withdrawal (Gross) IDR 0.96T Foreign loan principal installment financing IDR (4.68T)

INVESTMENT FINANCING PRIORITY IN 2023

IDR 176.3 T

Infrastructure Development
IDR 85.3T

Additional Non-Cash Government Financing of IDR 2.565 T which is aimed at improving the capital structure of the SOEs Food Industry Holding

Housing Finance Liquidity Facility (FLPP) IDR 26.2T

Education Fund Management Agency (LPDP) IDR 20 T



THANK YOU

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