



MINISTRY OF FINANCE  
REPUBLIC OF INDONESIA

# RECENT MACROECONOMIC AND FISCAL UPDATE

MINISTRY OF FINANCE  
March 2023



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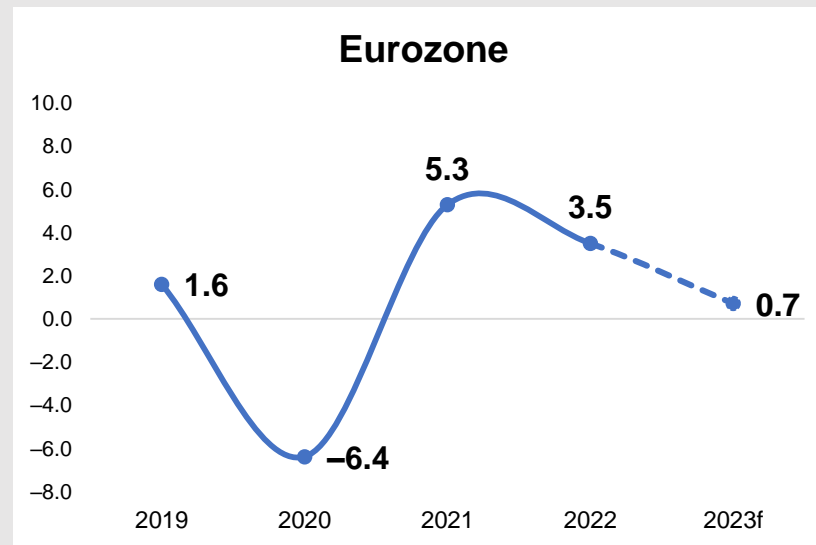
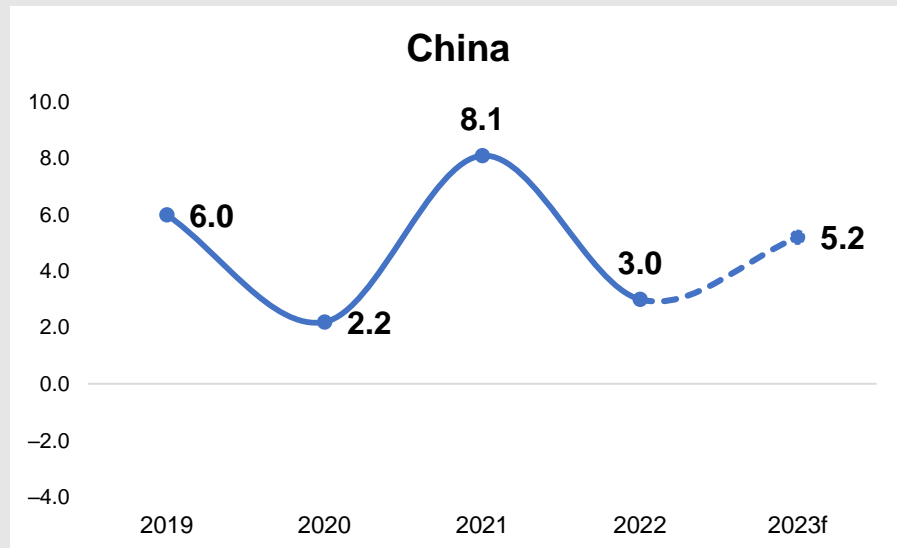
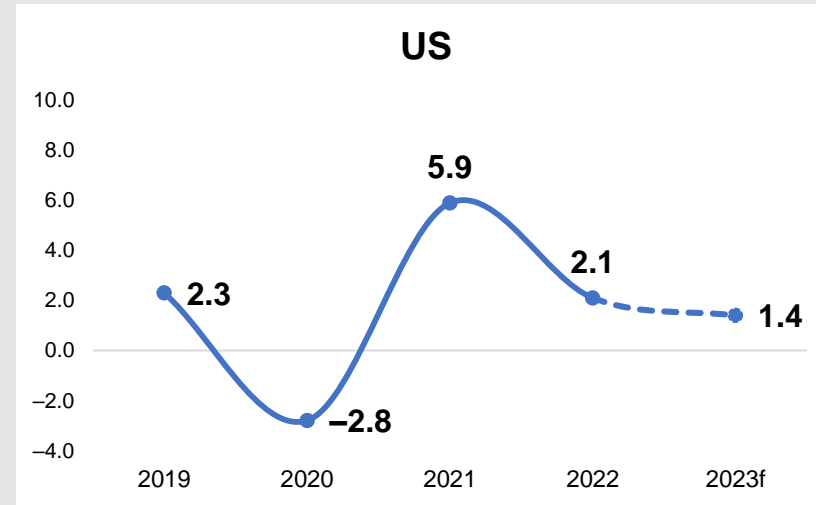
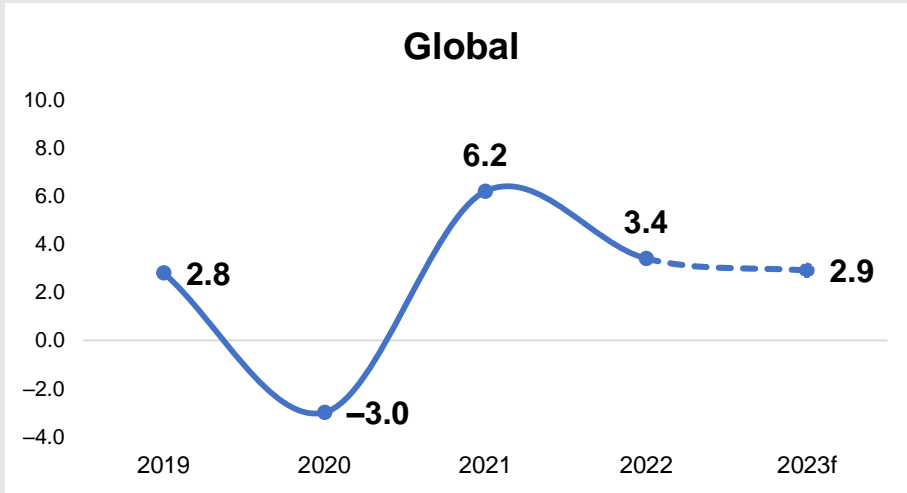


# GLOBAL UPDATE & RISKS

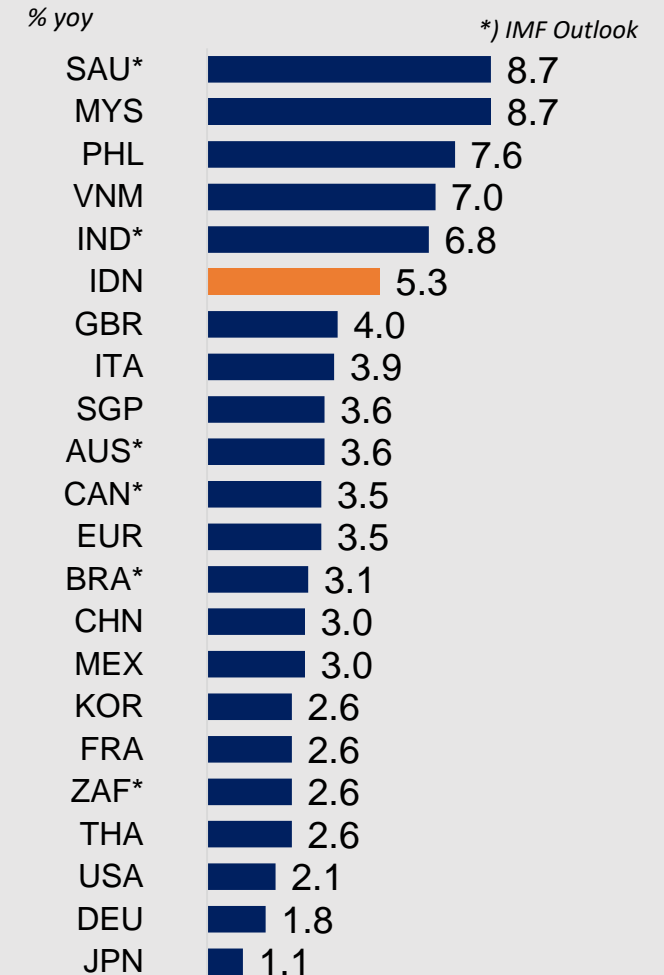
# THE GLOBAL ECONOMY FACED TOUGH CHALLENGES IN 2022

*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**



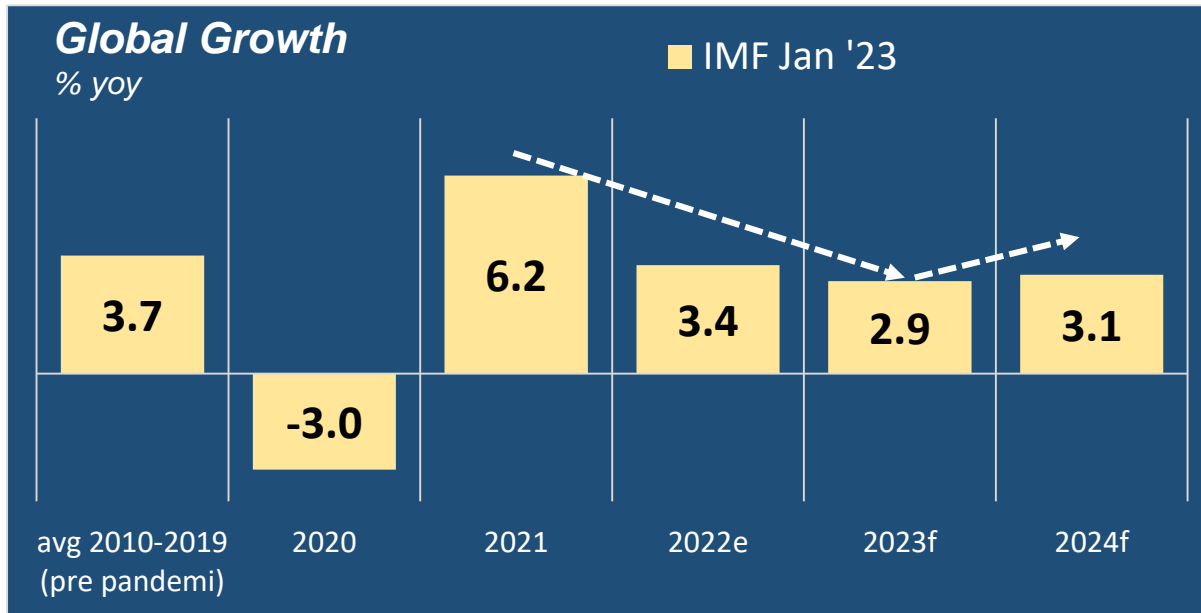
## Realization/Outlook of Economic Growth in 2022



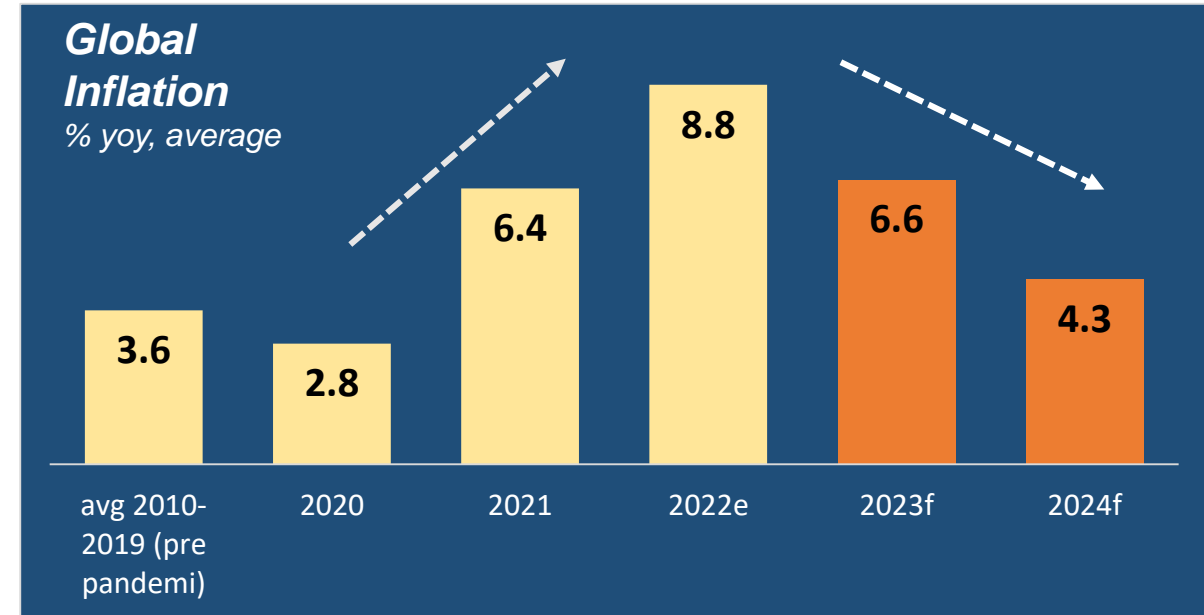


# GLOBAL GROWTH OUTLOOK HAS WEAKENED, CLOUDED BY SOME UNCERTAINTIES

## Global growth has weakened



## Despite moderating, inflation is still high for longer...



### Downside risks

- Increased **geopolitical tensions**
- **Global inflation remains** high
- **Interest rates** will be high for longer
- **Narrower** policy space (fiscal and monetary)



### Upside risks

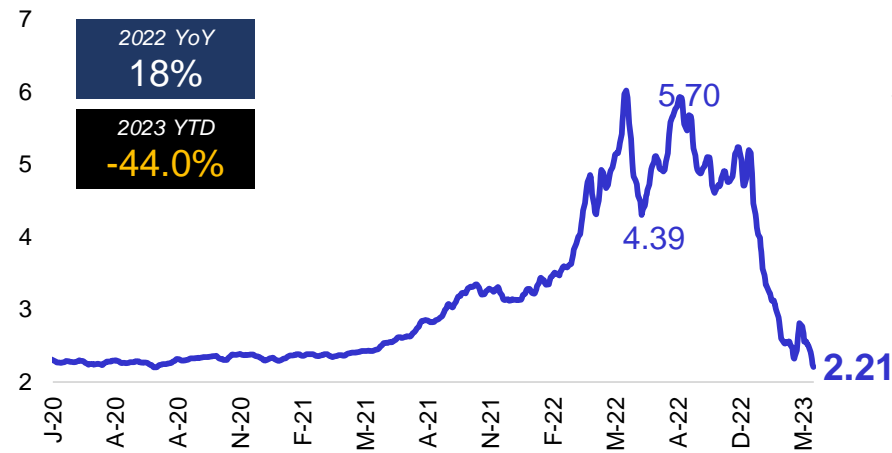
- Moderation of **commodity prices**
- China's opening
- New source of growth: green economy, digitalization, healthcare industry etc.

# COMMODITIES PRICES HAVE BEEN DECELERATING

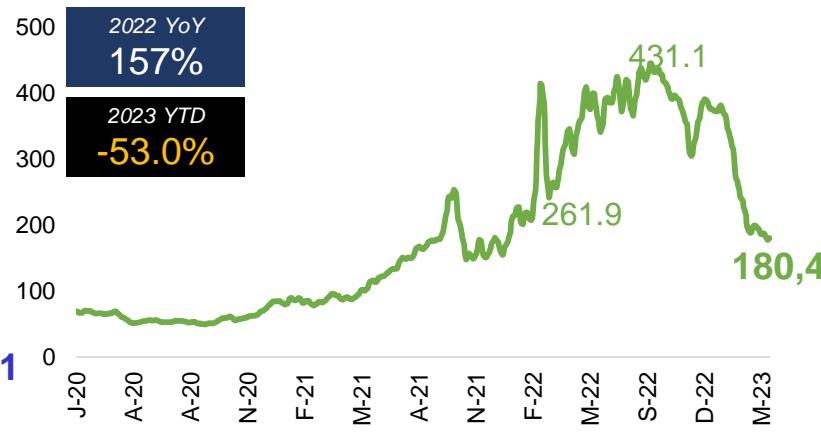
Affected by slowing global demand

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)

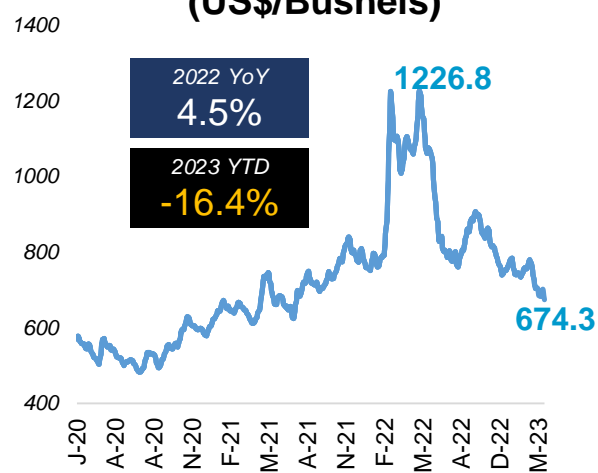


Food commodity prices show volatility. CPO and wheat prices were lower than the previous period, while soybean and corn prices were still high.

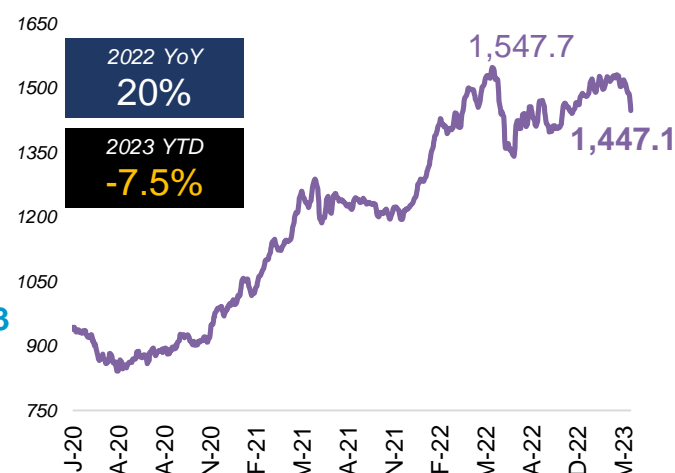
### CPO 5dma (US\$/Ton)



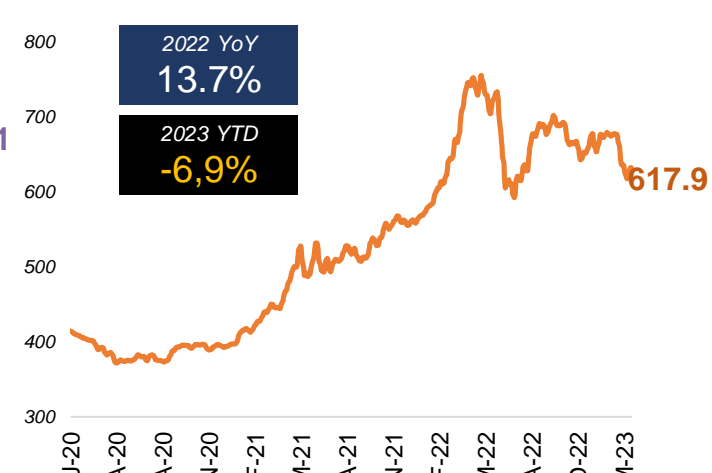
### Wheat 5dma (US\$/Bushels)



### Soybean 5dma (US\$/bu.)



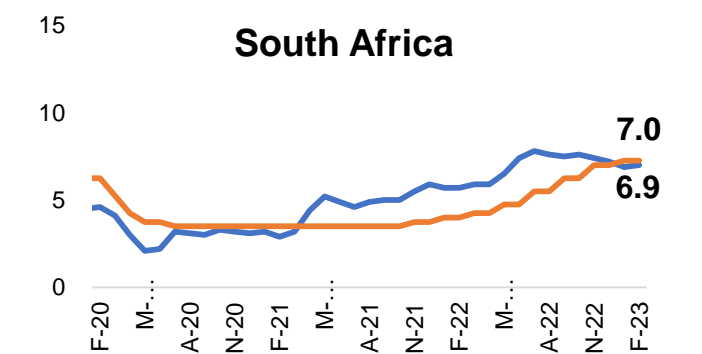
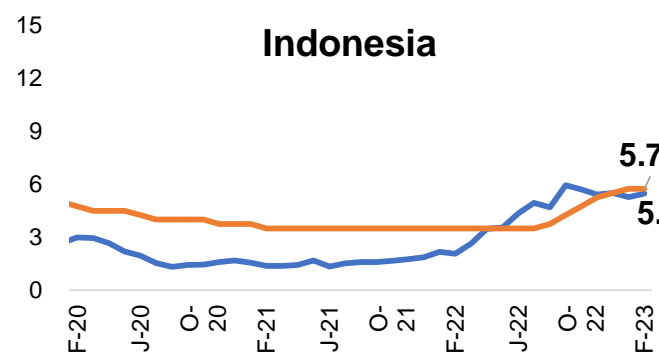
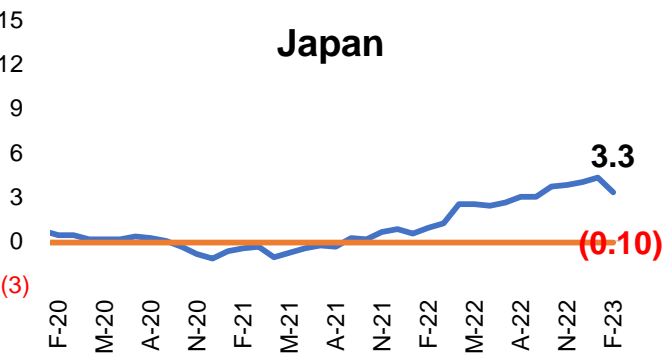
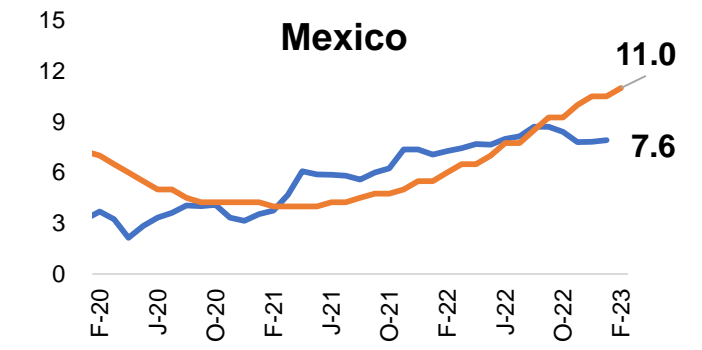
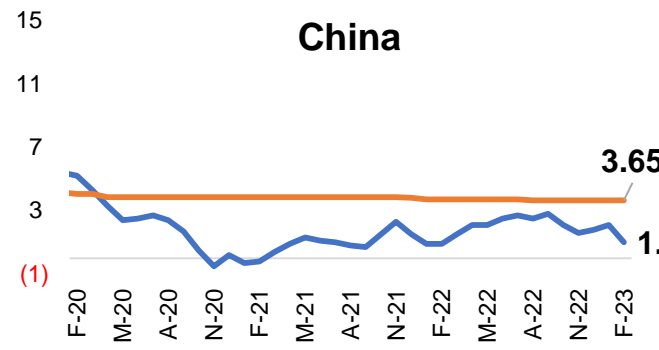
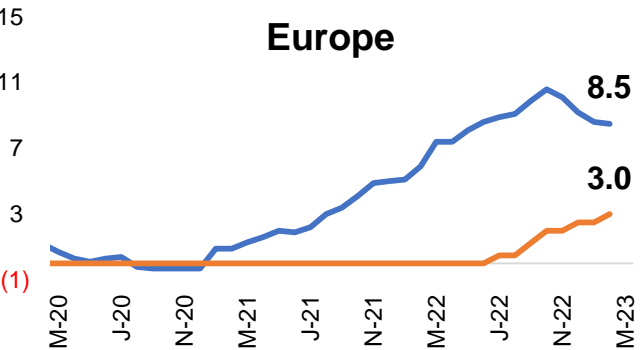
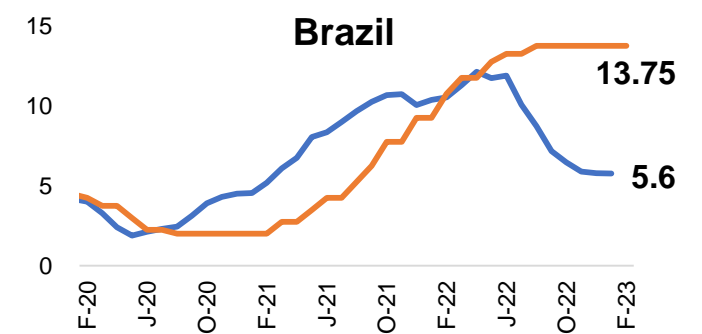
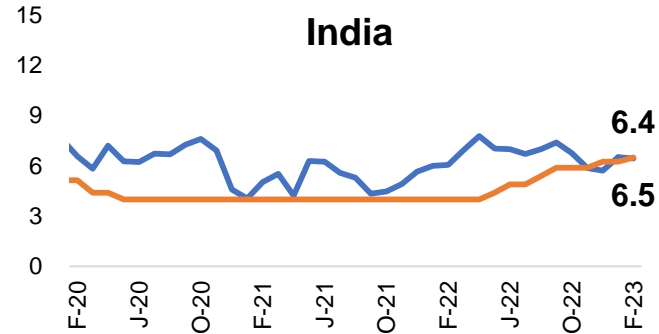
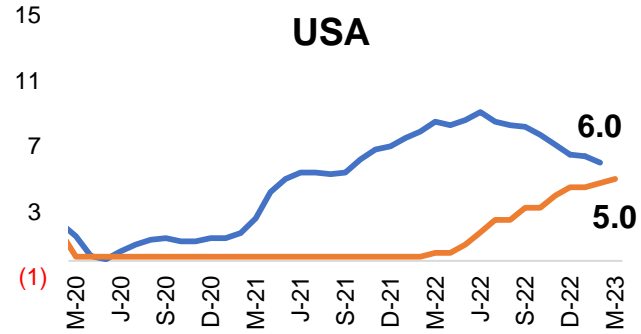
### Corn 5dma (US\$/Bushels)



# INFLATION RATES IN ADVANCED ECONOMIES ARE STILL ABOVE THEIR POLICY RATES

In EMDEs, inflation levels are below the policy rates.

**Inflation Rate (% yoy)**      **Policy Rate (% yoy)**





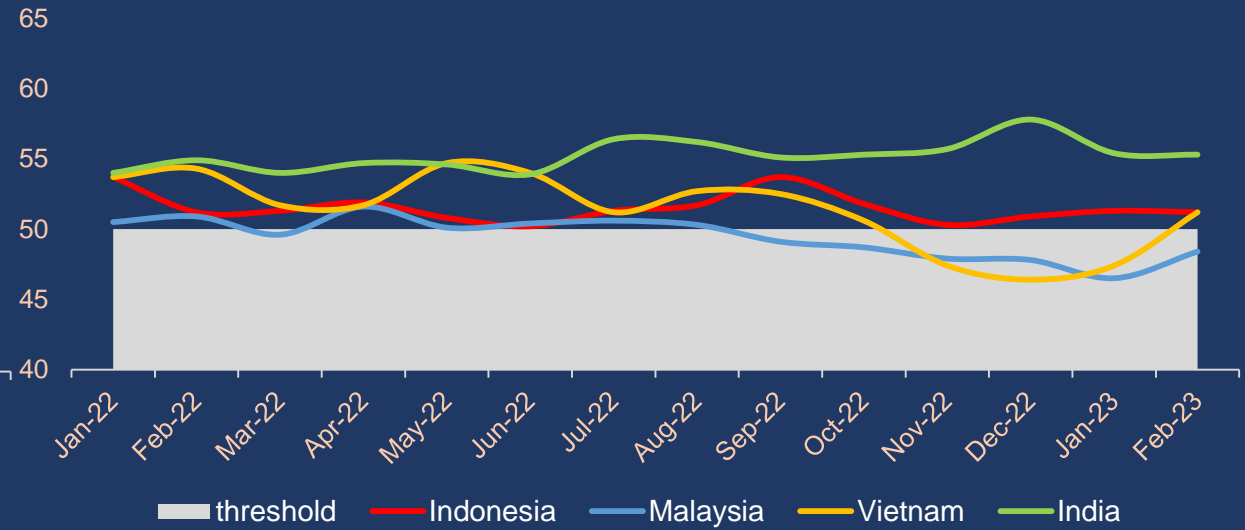
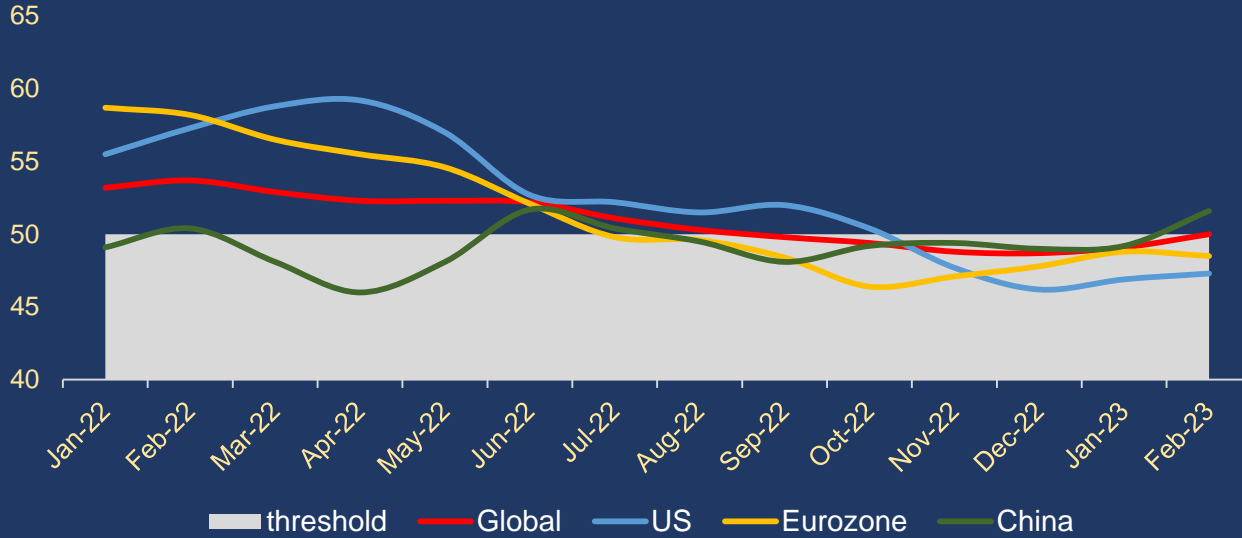
# GLOBAL MANUFACTURING IMPROVED BUT IS NOT YET IN AN EXPANSIONARY ZONE

Indonesia is still in the expansion zone, China and Vietnam are recovering, while most of the major economies are still contracted

PMI Manufacture as of February 2023

## Major Countries

## Selected Asian Countries



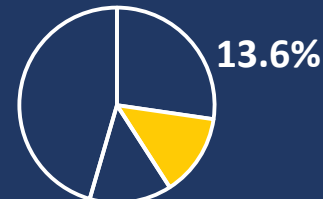
Distribution of February Manufacturing PMI Performance in the G20 and ASEAN-6 (minus SAU, ARG, SGP)

### Expand - Accelerating



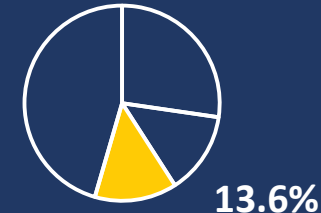
Thailand, Australia, Russia, Italy, Canada, Turkey  
(PMI above the 50 threshold or in an expansionary level & higher than previous month)

### Expand - Slowing



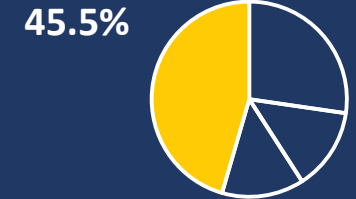
India, Indonesia, Philippines  
(PMI above the 50 threshold or in an expansionary level but lower than previous month)

### Recovered



China, Vietnam, Mexico  
(The PMI was at an expansionary level from the previous month's contractionary level)

### Contracted



US, Eurozone, UK, Germany, France, Japan, Brazil, Malaysia, South Korea, South Africa  
(PMI below the 50 threshold or in a contractionary level)

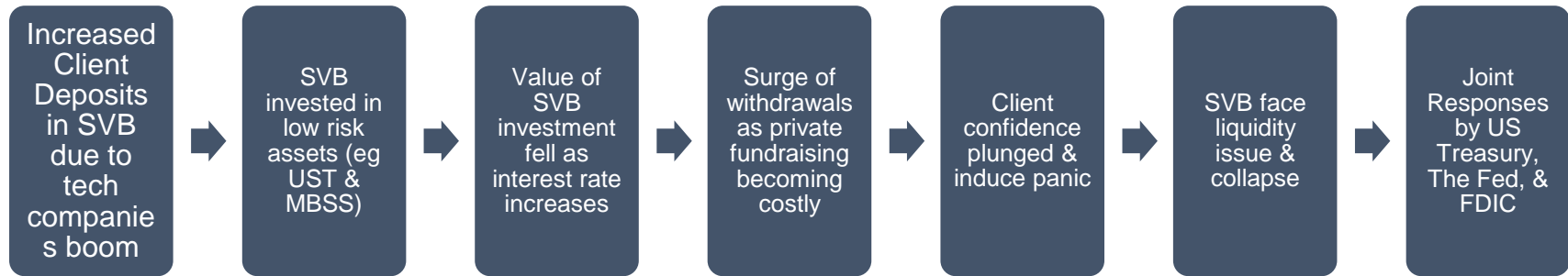
# THE MOST RECENT SHOCKS COULD ESCALATE THE RISK



SVB Collapse and Closing Signature Bank in the US Illustrates Some Unintended Consequences of Fast Liquidity Tightening



## SVB & Signature Banks' Chain of Events



**FINANCE**  
**Here's how the second-biggest bank collapse in U.S. history happened in just 48 hours**

PUBLISHED FRI, MAR 10 2023 3:59 PM EST | UPDATED FRI, MAR 10 2023 8:38 PM EST

High Sen @HIGH\_SEN Rohan Gowami @ROHANGOWAMI Jonathan Vanian @JONATHANVANIAN

SHARE f t in e

Finance & economics | Signature policy

**America's government steps in to protect depositors at Silicon Valley Bank**

As SVB and a rival collapse, regulators have expanded their role as a backstop

**MARKETS**

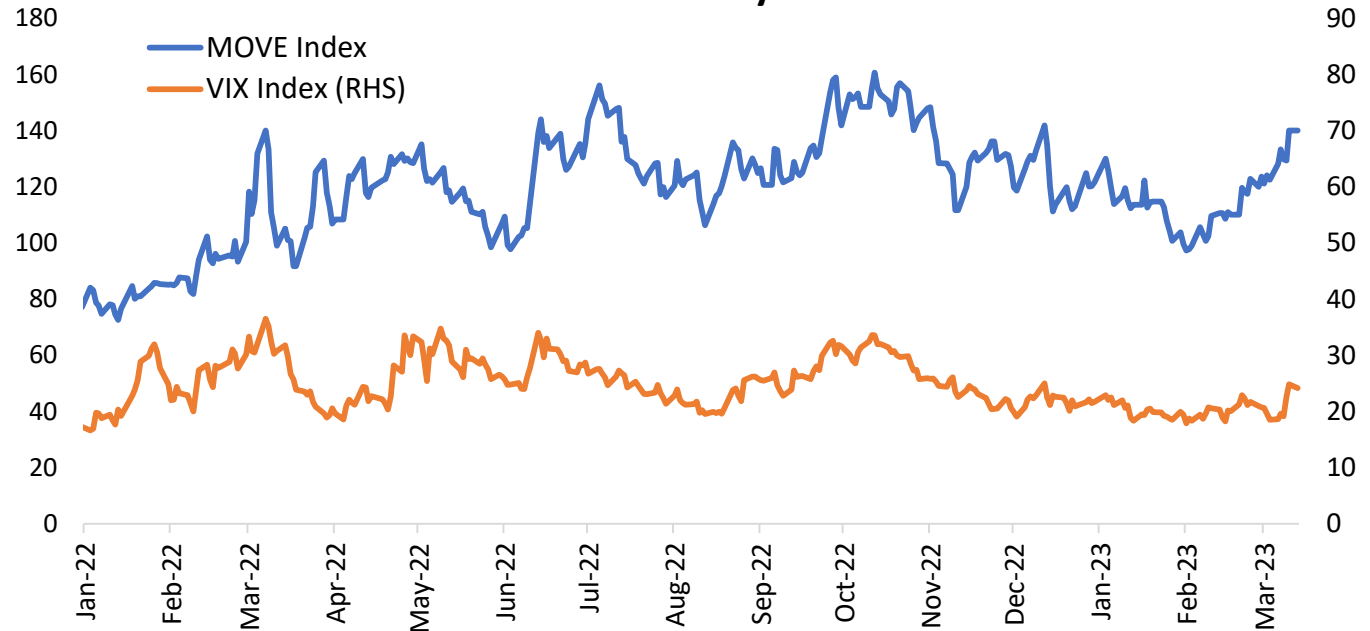
**Regulators close crypto-focused Signature Bank, citing systemic risk**

PUBLISHED SUN, MAR 12 2023 6:24 PM EDT | UPDATED SUN, MAR 12 2023 8:01 PM EDT

Yun Li @YUNLI26

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## Global Volatility Index



The US Bond and Stock Market began to show increased volatility after the February FOMC and the volatility is seemed to increasingly escalated since the beginning of March



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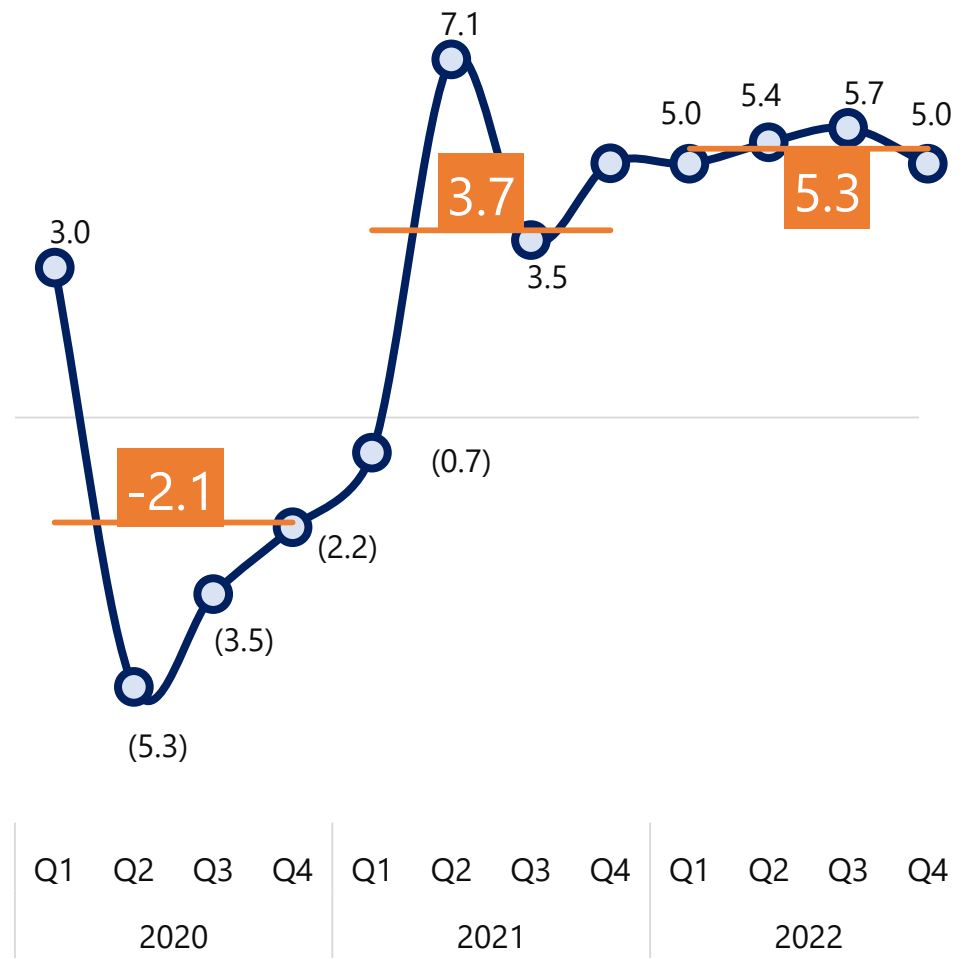


## INDONESIAN ECONOMIC OVERVIEW

# STRONGER ECONOMIC RECOVERY IN 2022

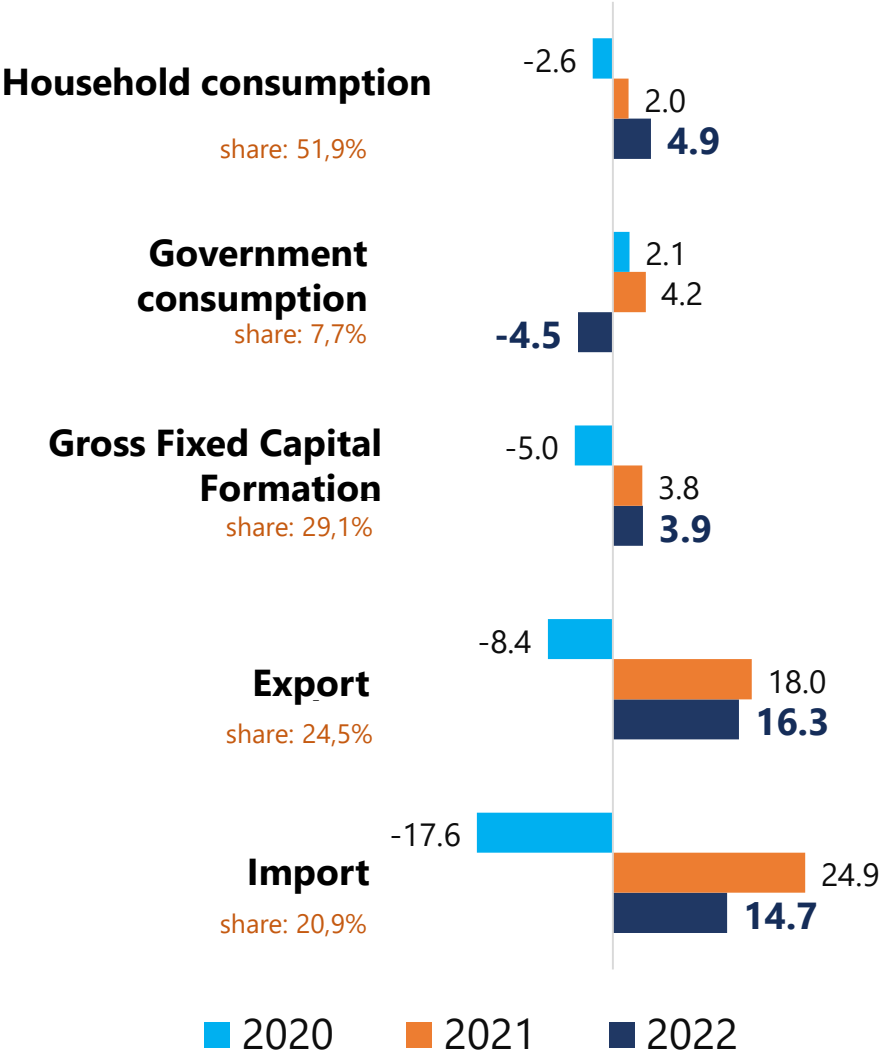
## Economic Growth (% ,yoy)

Source: BPS



## Expense Growth (%)

Source: BPS



- Throughout 2022, **economic growth was above 5%** in each quarter.

- Public consumption continues to strengthen.** Fiscal support in dampening price pressures was effective in maintaining purchasing power stability.

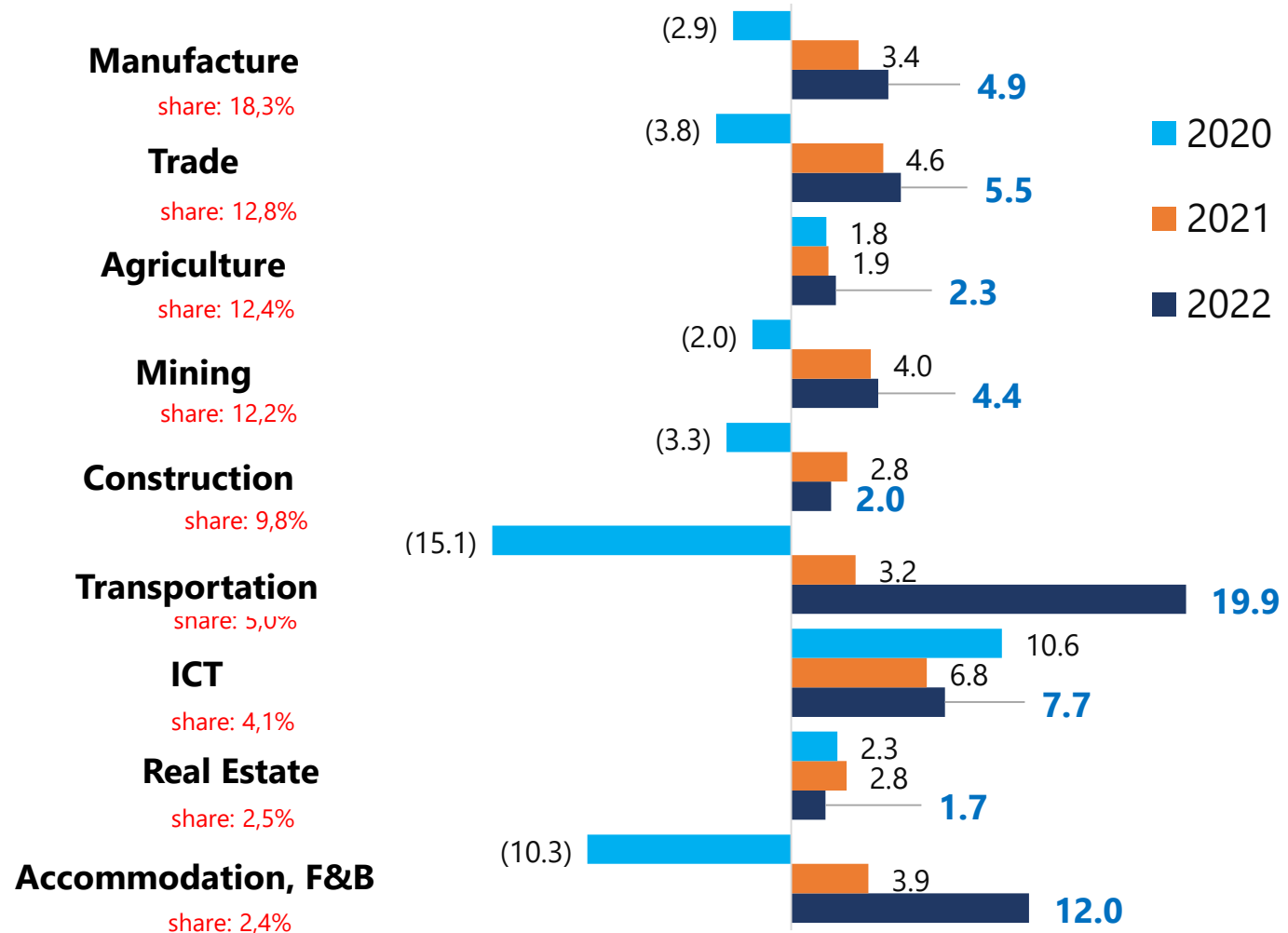
- The downstream of natural resources** was one of the main sources driving export performance in 2022.

- Investment is relatively stable** and will continue to be encouraged by the creation of a better investment climate and strengthening the downstream.



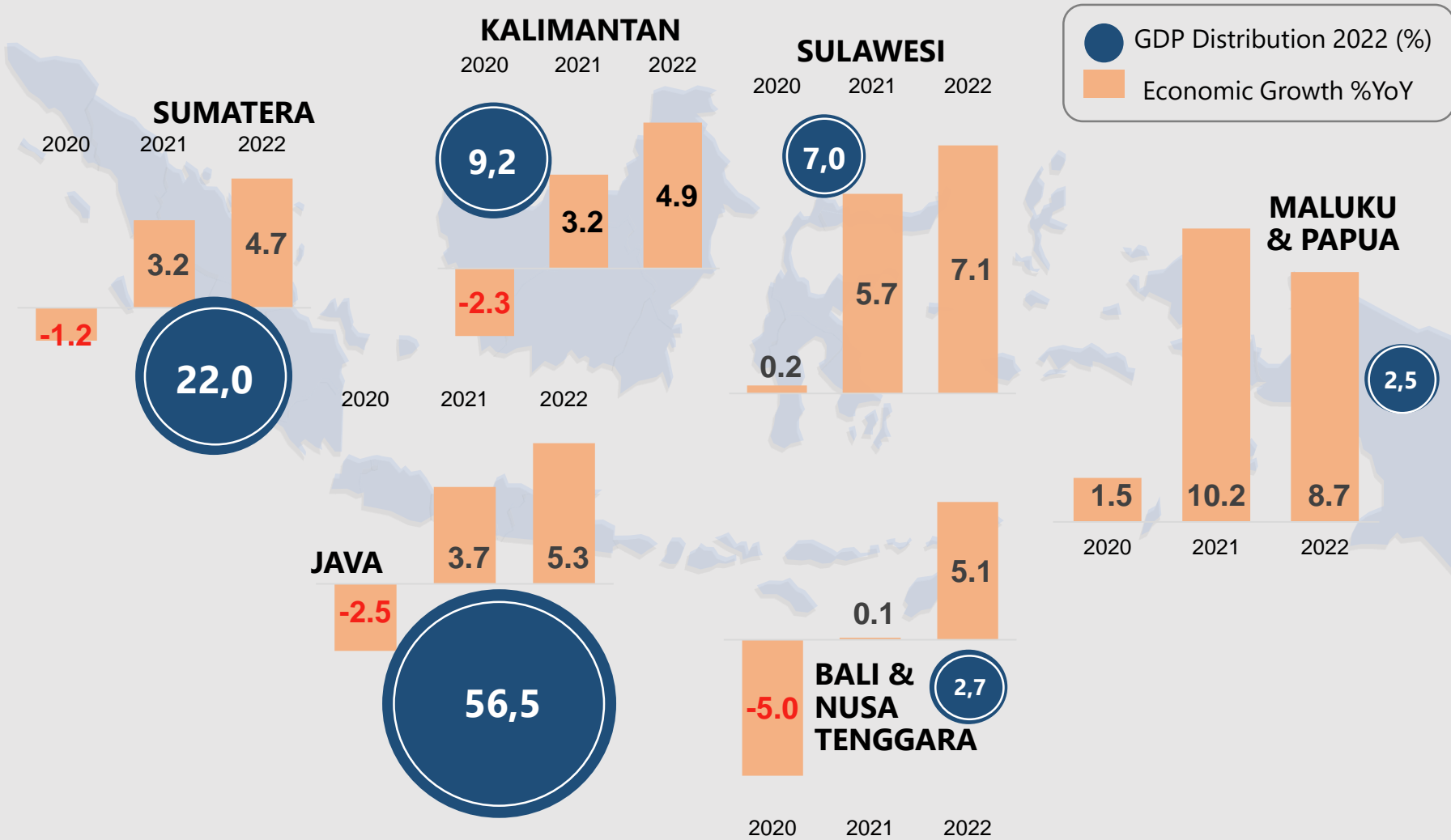
# THE ECONOMY RECOVERS PREVALENT IN ALL SECTORS (BROAD-BASED)

## The growth on production side (%)



- **The manufacturing and trade sectors have regained**, in line with the increasing demand for manufactured products such as steel, machinery, and electronic devices from the global market.
- **The accommodation & food and drink and transportation sectors grew high**, in line with the relaxation of PPKM policies and the return of foreign tourists to Indonesia.

# ECONOMIC RECOVERY STRENGTHENS IN ALL REGIONS



The economies of **Sulawesi, Java, and also Maluku & Papua** grow above national economy (yoy).

Downstreaming in mining industry boosted the economy in the eastern Indonesia **Sulawesi, Maluku, & Papua.**

**Java** is mainly supported by trade and information & communication sectors in the three big provinces (DKI Jakarta, East Java & West Java).

**Bali & Nusa Tenggara** continue to improve as mobility easing and tourism revival

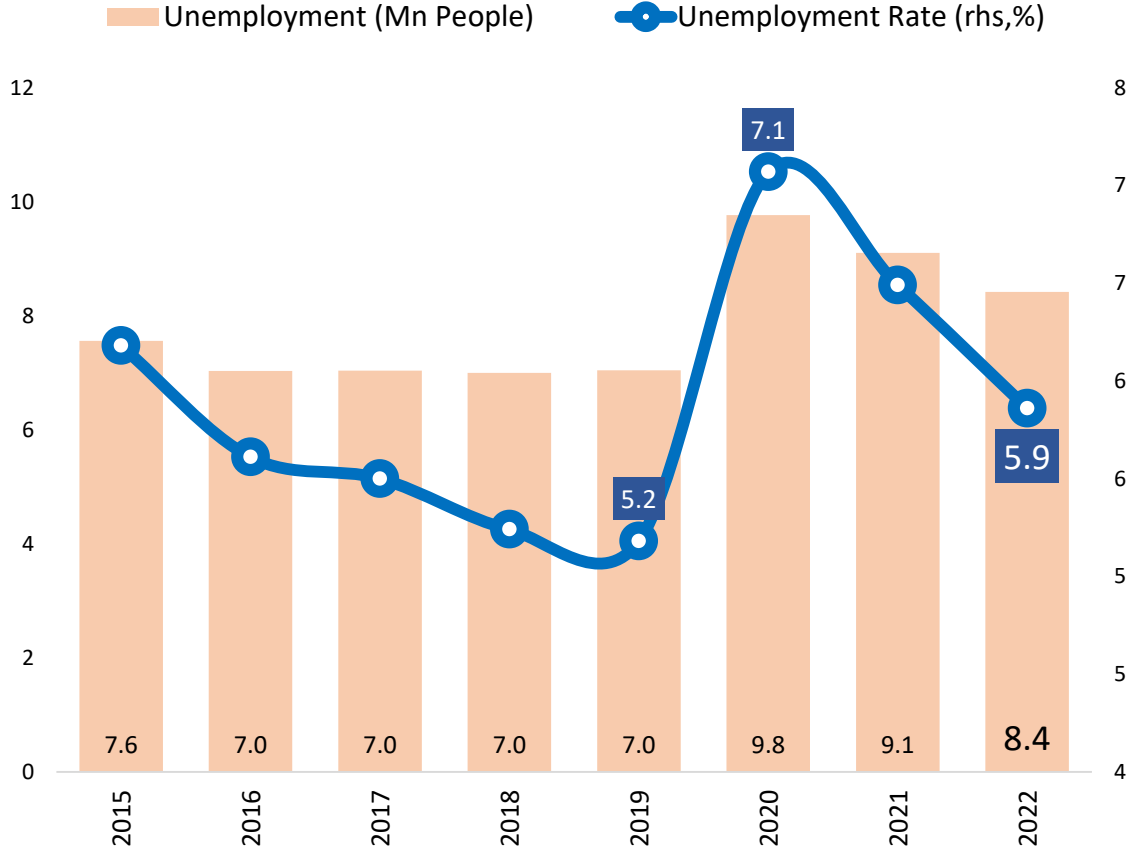
Source: Indonesia Statistic Agency, 2023

# QUALITY GROWTH PERFORMANCE

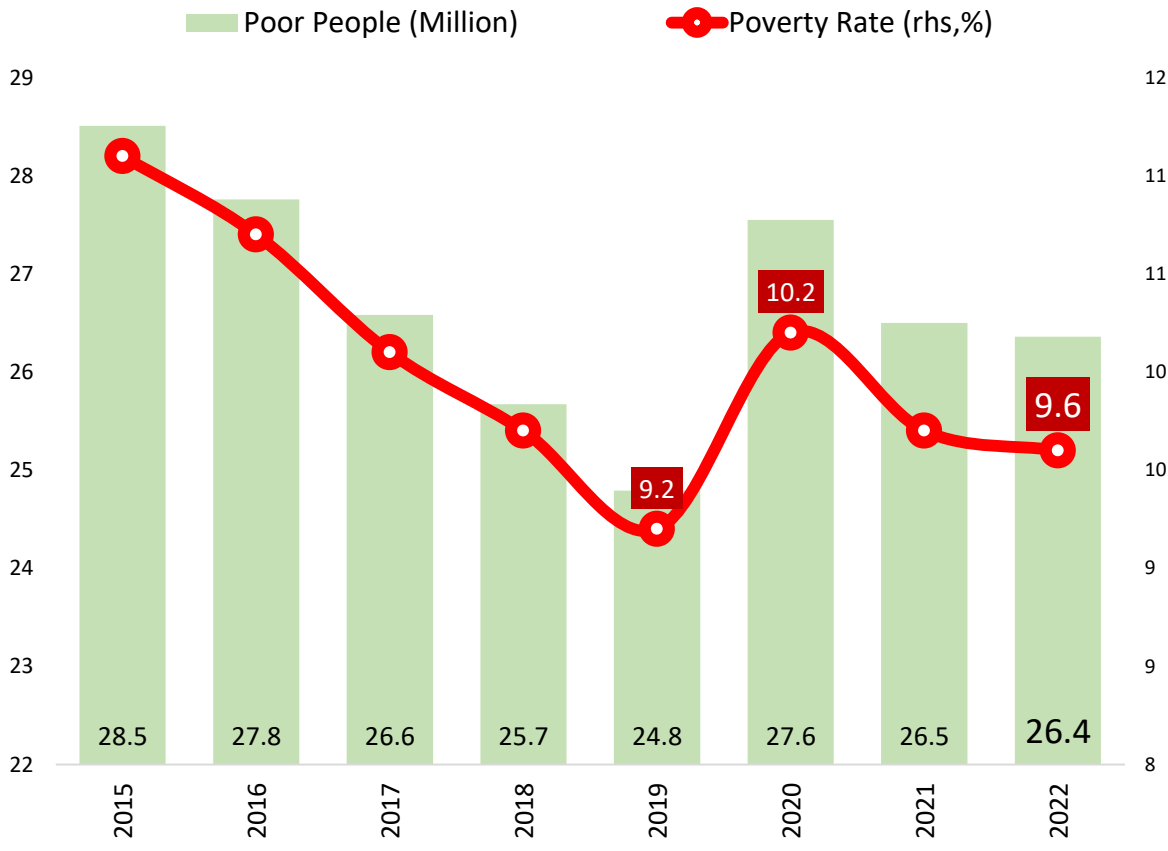
## Creating jobs & lifting people out of poverty

- Strengthening **social safety nets** program
- Improving **human capital quality**
- Driving **productive and high-value-added economic activities**, including MSMEs

Unemployment Rate



Poverty Rate



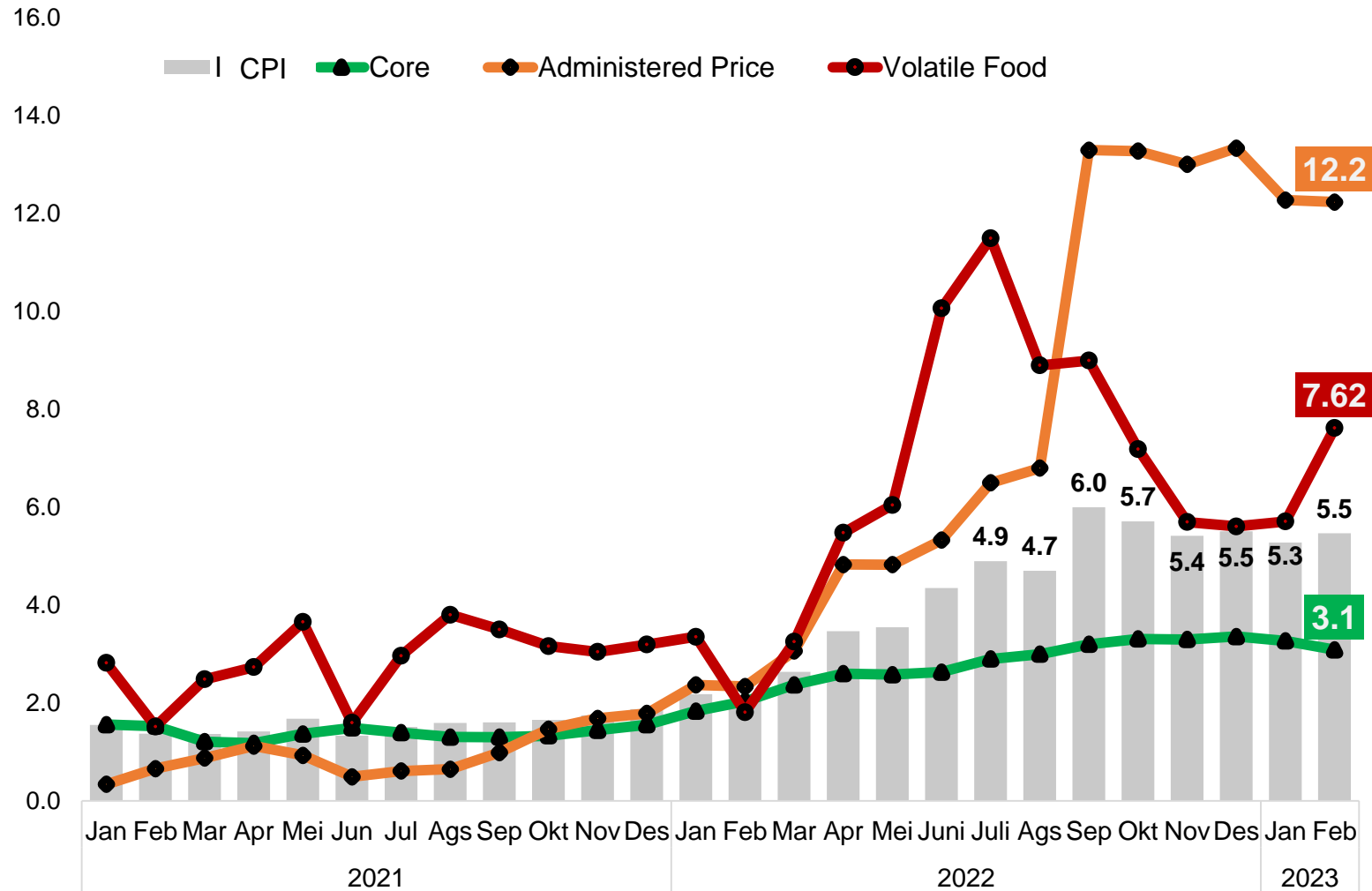
Source: Statistics Indonesia



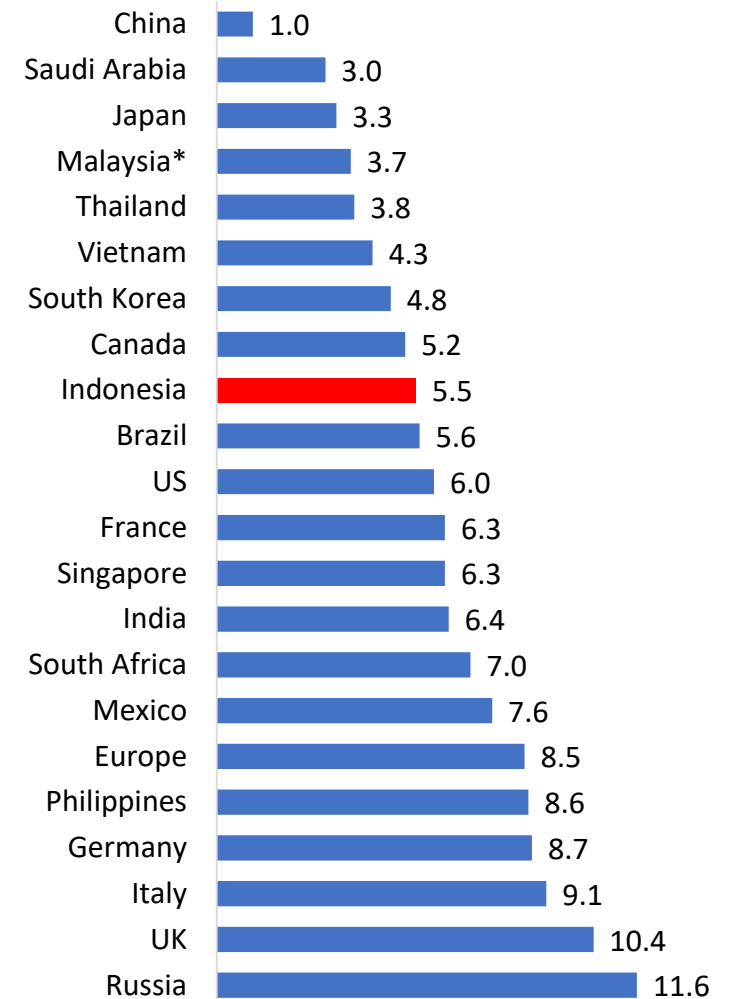
# INFLATION REMAINS BENIGN DESPITE INCREASING IN FEBRUARY 2023

Various policies continue to be implemented to ensure price stability

## INDONESIA'S INFLATIONARY RATE (% , YOY)



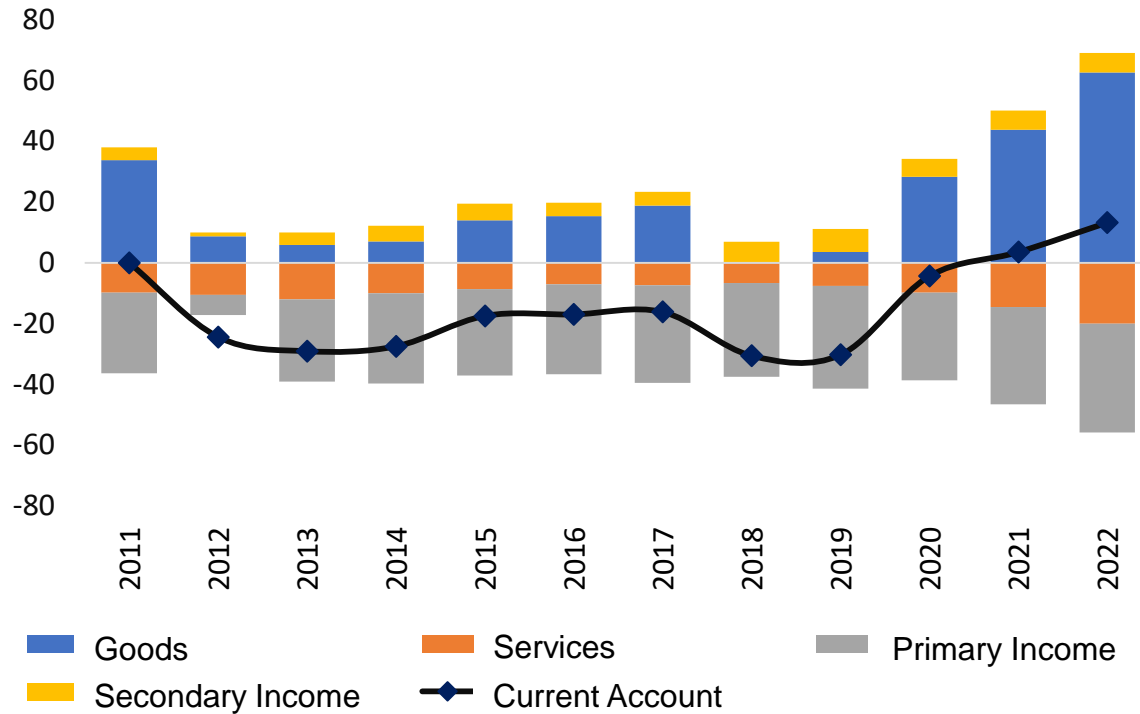
## COUNTRIES' INFLATION (% , YOY)



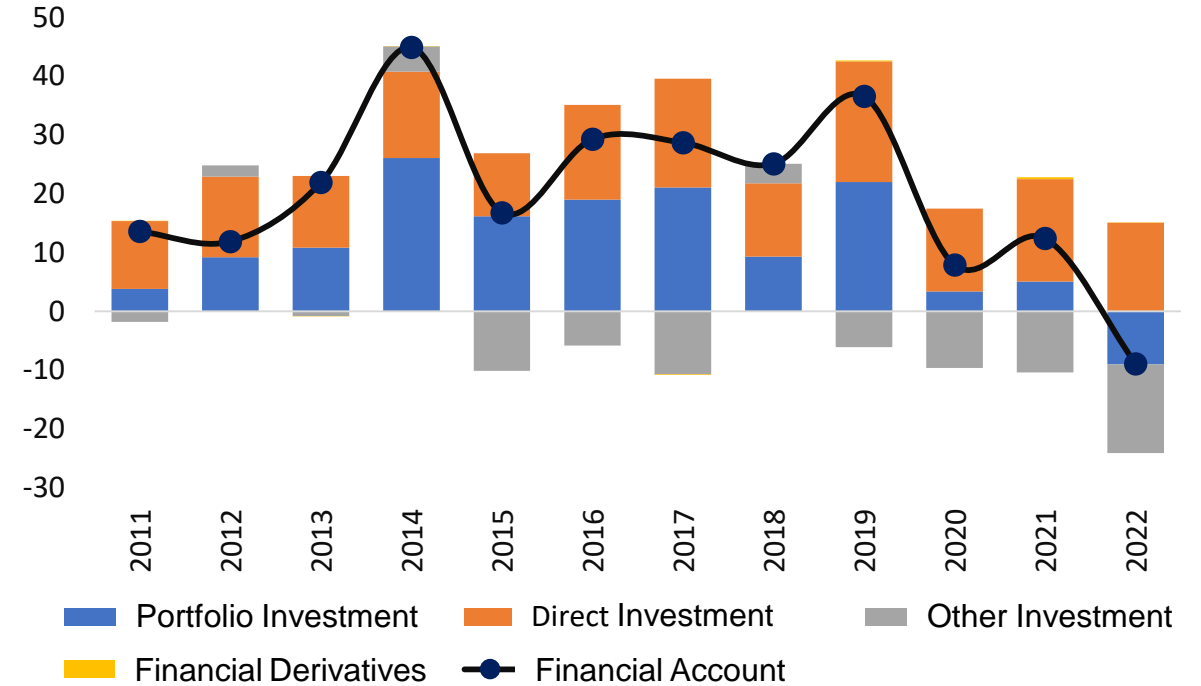


# INDONESIA'S BALANCE OF PAYMENTS IN 2022 CONTINUES TO RECORD A SURPLUS

## Current Account (USD Billion)



## Capital and Financial Account (USD Billion)

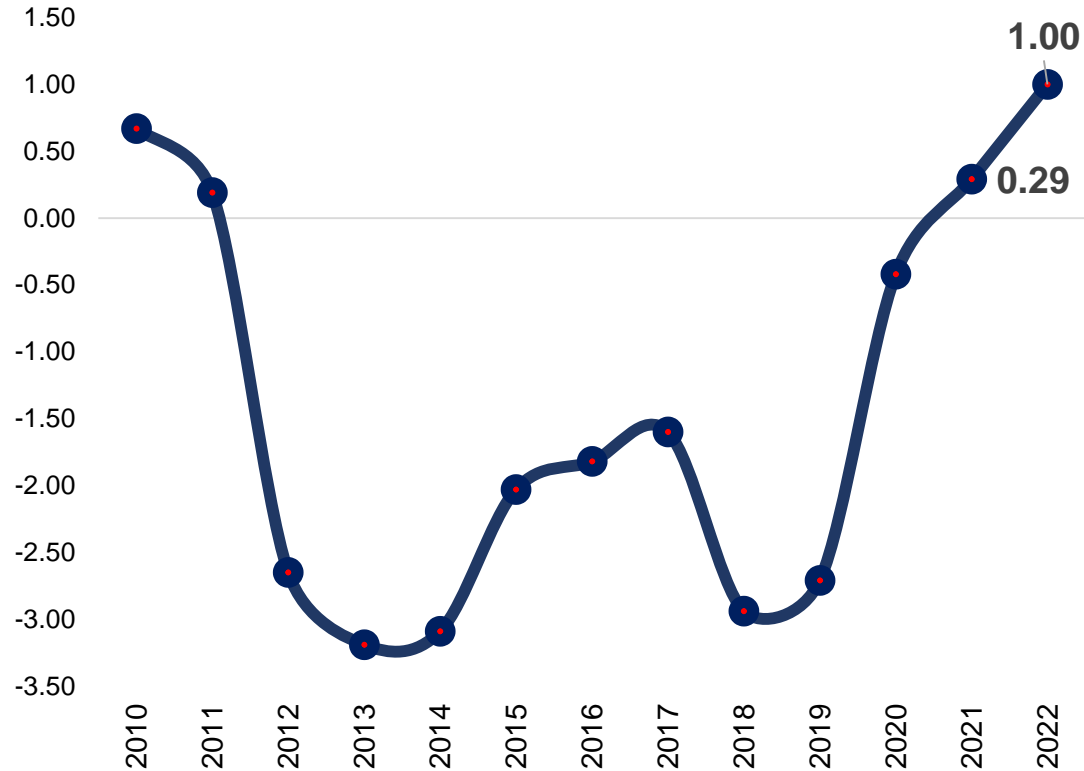


- Balance of Payments (BOP) in 2022 recorded a **surplus of USD 4 billion**, supported by the continued strengthening of the current account, while the capital and financial account recorded a deficit.
- Current account surplus is supported by **export performance** which continues to increase.
- Capital and financial account experienced a deficit mainly from **portfolio investment** due to increased global uncertainty. Meanwhile, Foreign Direct Investment (FDI) maintained a relatively high **surplus**.

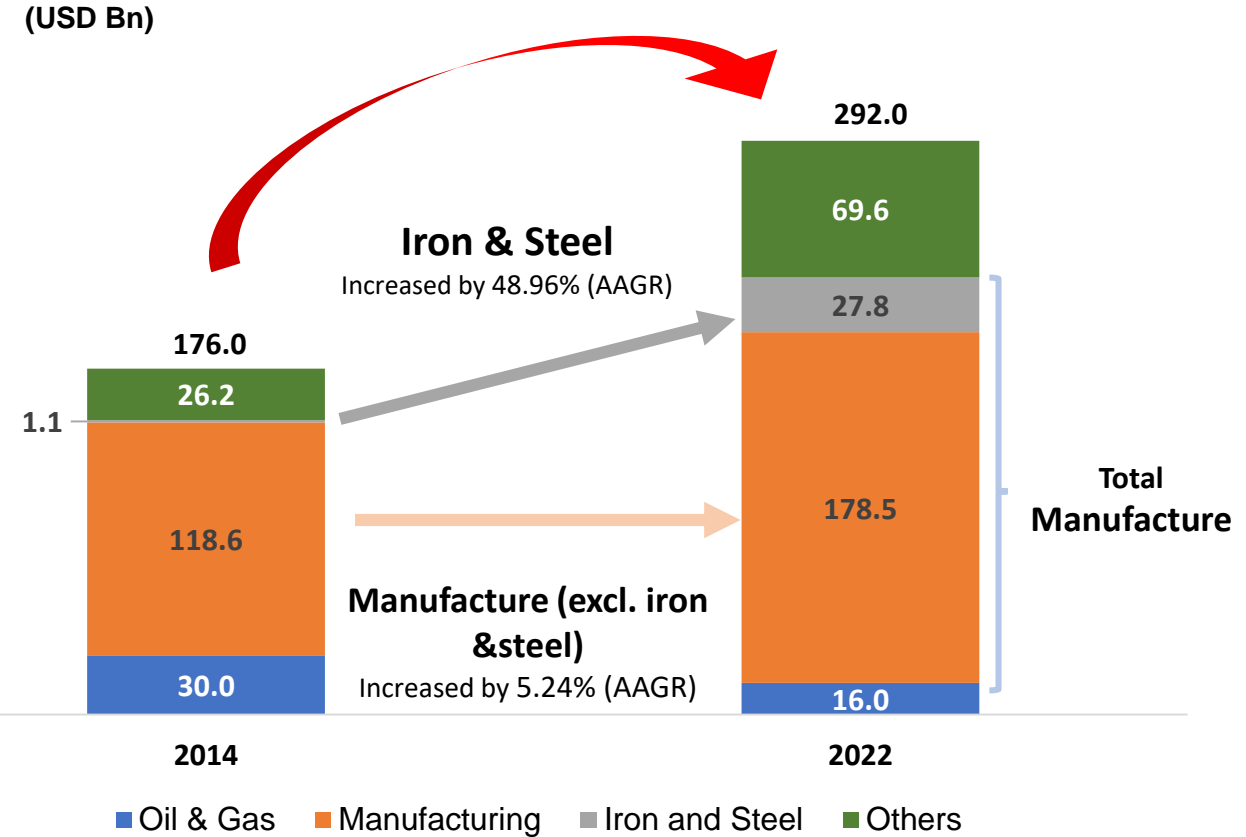
# STRONGER EXTERNAL POSITION HAS BEEN BOOSTED BY DOWNSTREAMING PRODUCTS

Strong export performance and commitment to developing downstream products

## Current Account Balance (% of GDP)



## Comparison between 2014 and 2022 Exports (USD Bn)



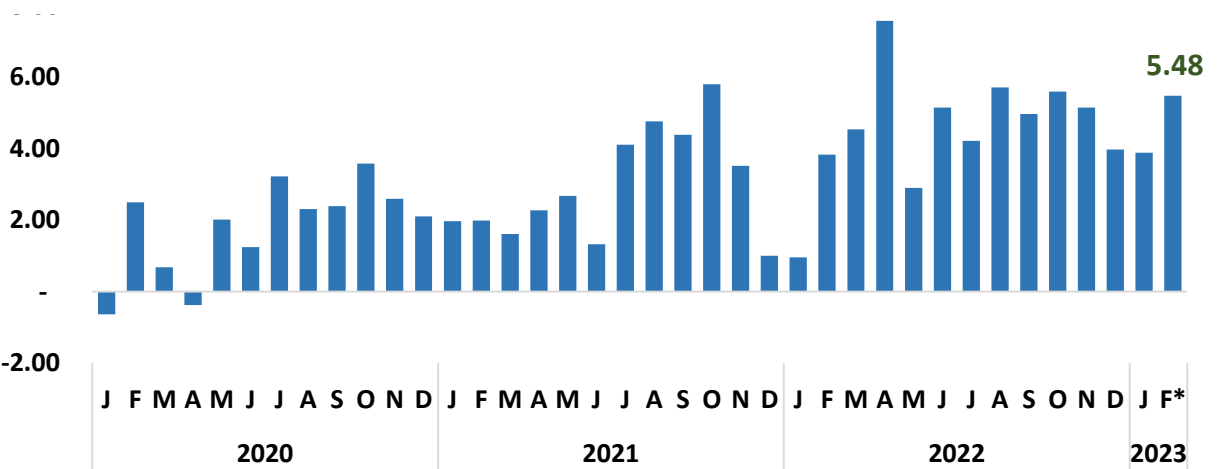
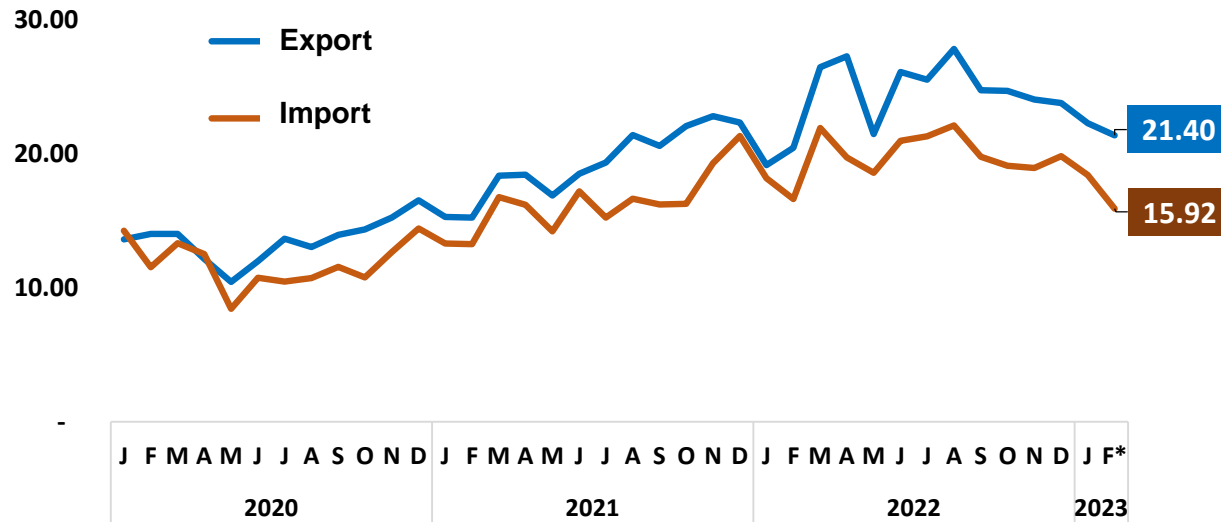
- The increase in export performance was driven by rising commodity prices and also natural resources downstream products
- remain vigilant over the impact of the global economic slowdown, particularly on some manufactured products.
- Export diversification (markets and products) needs to be encouraged,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



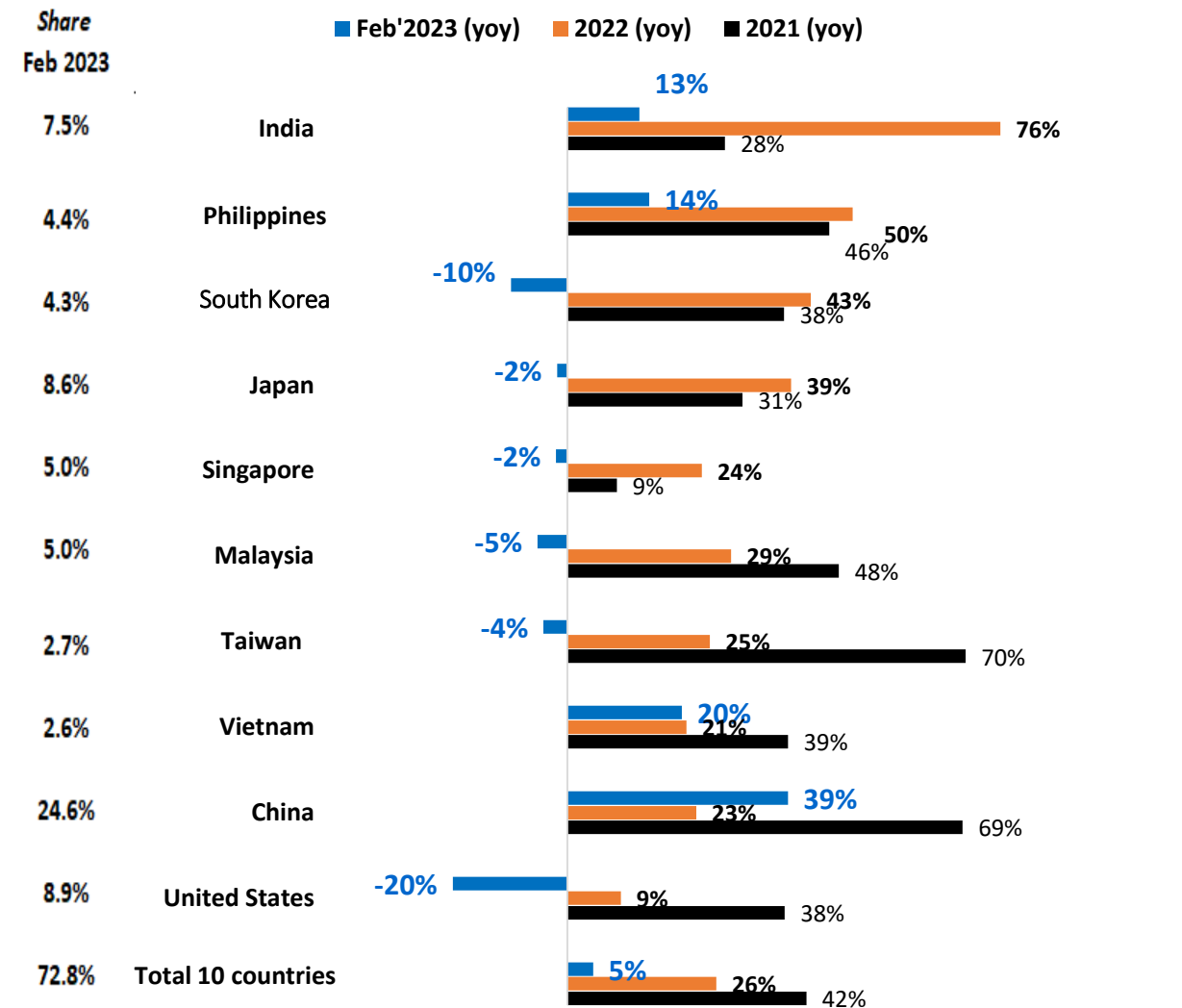
# TRADE BALANCE CONTINUES TO RECORD SURPLUS FOR 34 MONTHS

Export performance at the beginning of 2023 continued its positive trend

## Indonesia's Export and Import Indonesia (USD Billion)



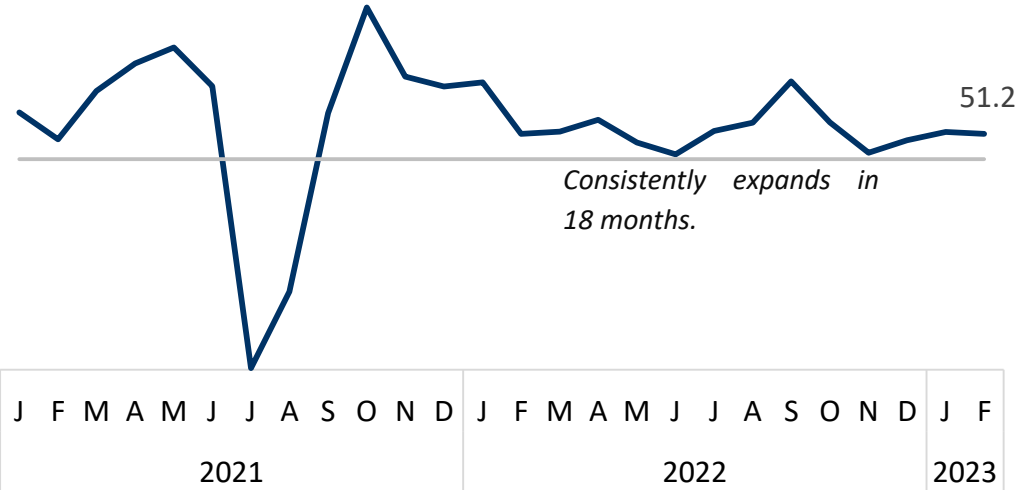
## TOTAL GROWTH OF EXPORTS TO MAJOR TRADING PARTNERS, AS OF February 2023



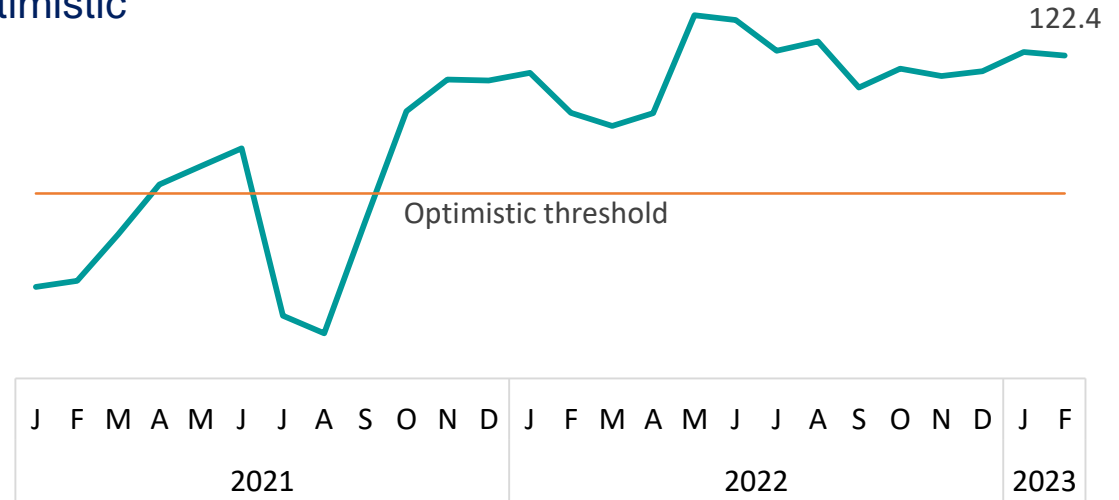


# NEAR-TERM PROSPECT REMAINS PROMISING

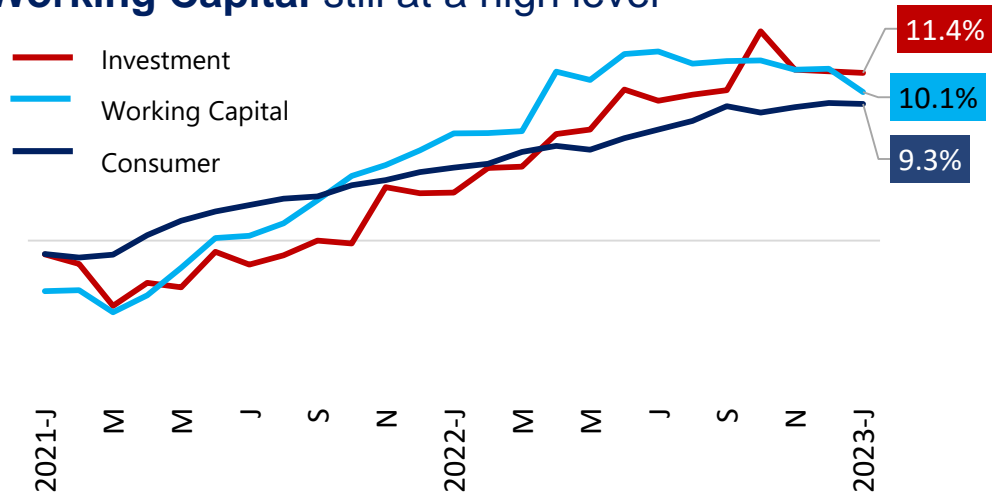
Indonesia's PMI Manufacture has been in the expansive zone for 18 months in a row



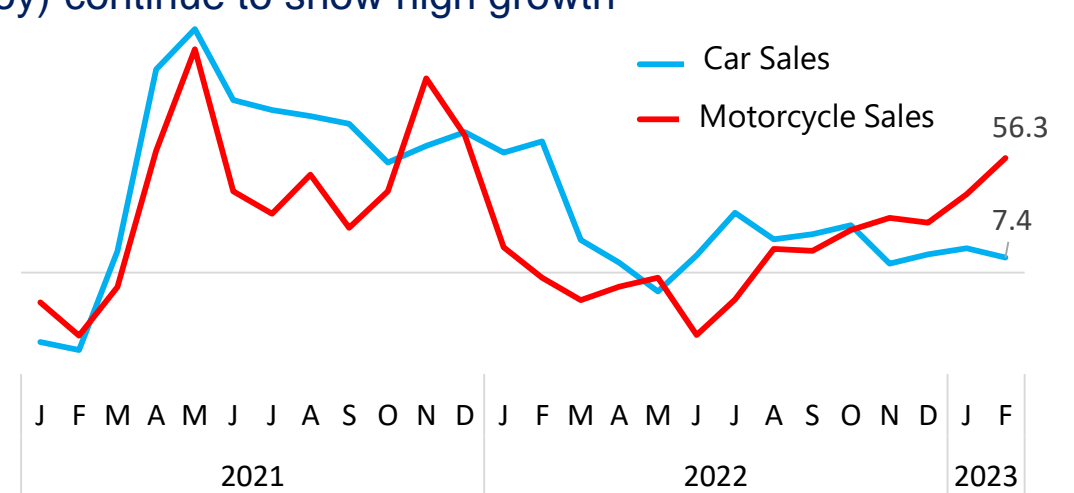
Consumer Confidence Index stable at a high level, indicating economic confidence going forward that is still optimistic



Credit Growth (Consumption, Investment, and Working Capital) still at a high level



Vehicle sales for car and motorcycle (wholesale, % yoy) continue to show high growth

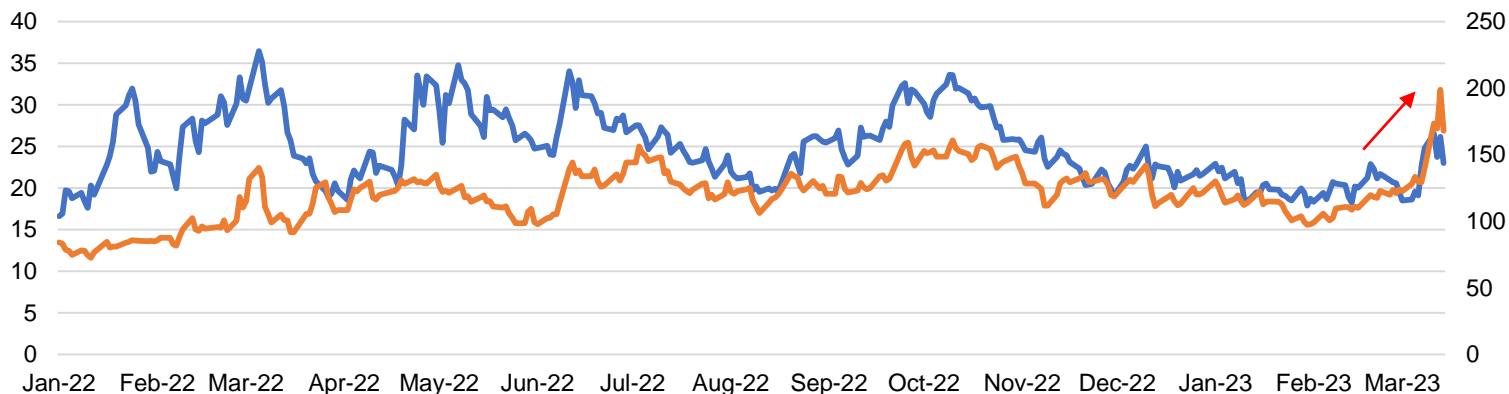




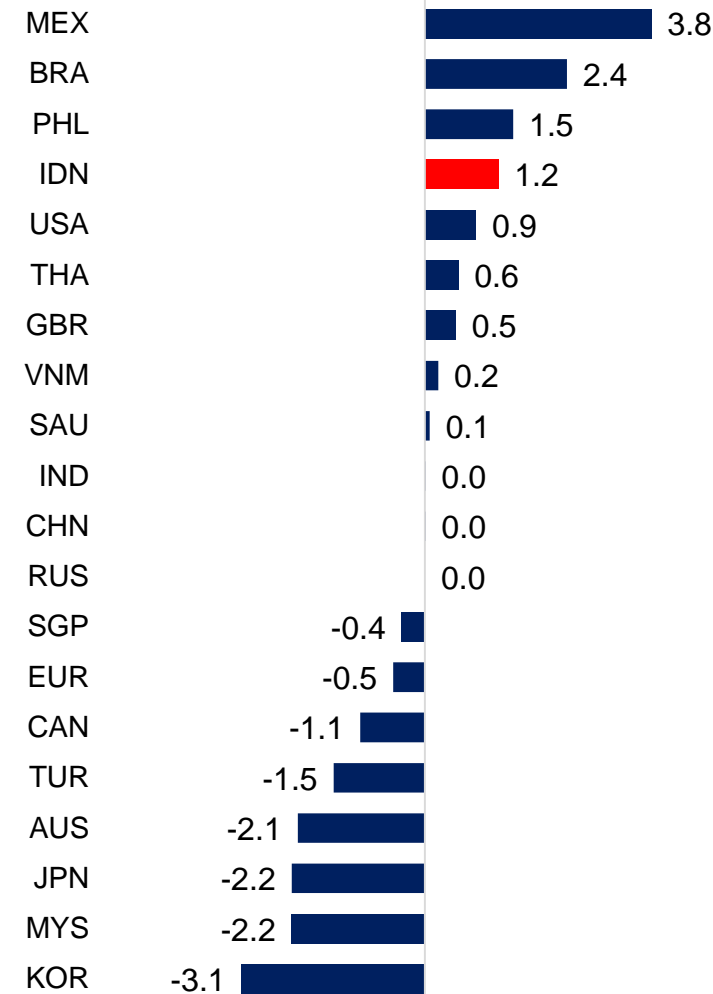
# INDONESIA'S FINANCIAL MARKET REMAINS STABLE DESPITE INCREASING GLOBAL VOLATILITY

## Global Volatility Index

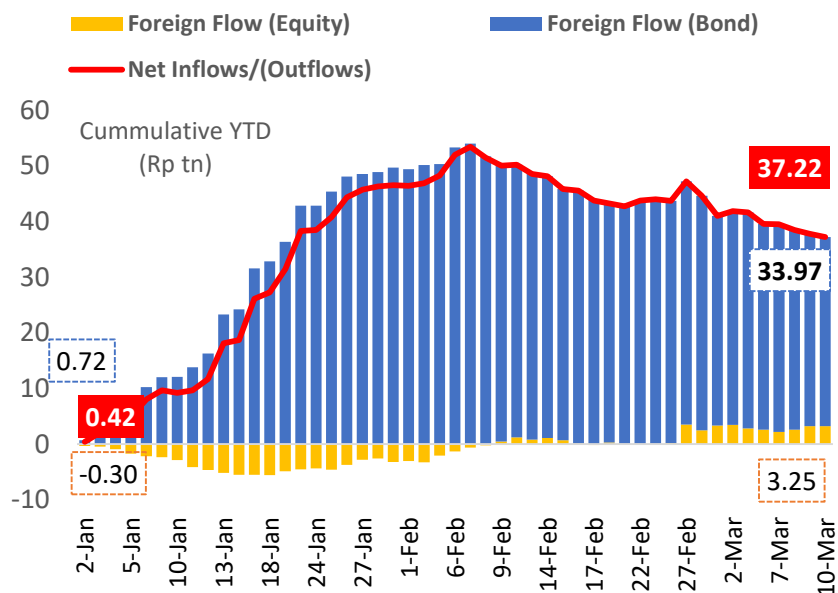
— VIX — MOVE (rhs)



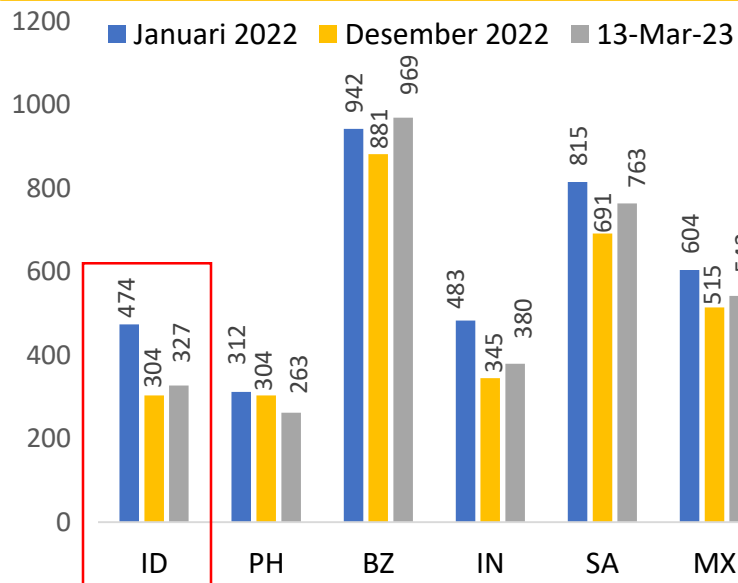
## Exchange Rate 2023 (% ytd 16 March)



## Capital Flow Indonesia (10 March 2023)



## Yield Spread LCY vs UST 10Y (YTD, bps)

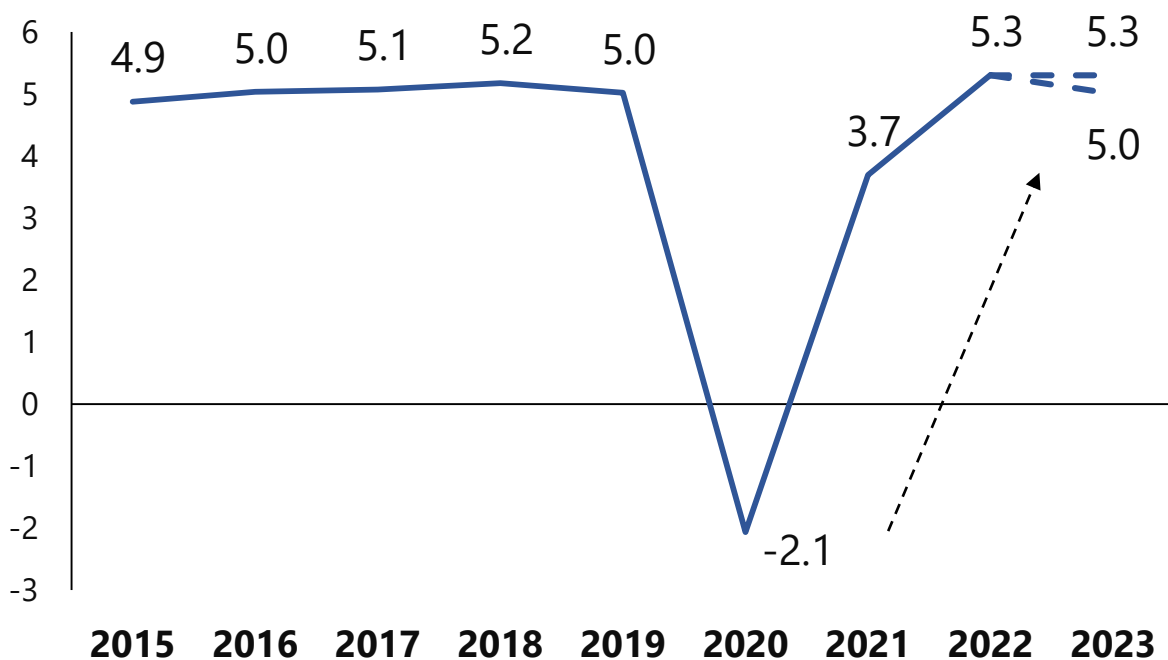




# ROBUST NATIONAL ECONOMIC RECOVERY BECOMES A SOLID FOOTING AMID INCREASED GLOBAL RISKS IN 2023

## 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
<b>GDP</b>	<b>(2.1)</b>	<b>3.7</b>	<b>5.3</b>	<b>5.0 - 5.3</b>

## International Agencies' Forecasts of National Economic Growth



2023 (WEO Jan-23):  
**4.8**



THE WORLD BANK

2023 (GEP Jan-23):  
**4.8**



2023 (ADOU Sep-22):  
**5.0**



OECD

2023 (EO Nov-22):  
**4.7**

**Bloomberg**

2023 (Consensus Mar-23):  
**4.8**



# A WELL MAINTAINED INDONESIA'S SCR AMIDST GLOBAL AND DOMESTIC CHALLENGES

Indonesia's economic prospects have received appreciations from International Institutions

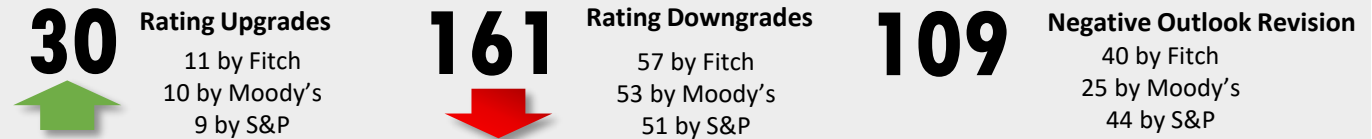
## INDONESIA'S SOVEREIGN CREDIT RATING

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

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 **31 Rating Action Upgrades, 79 Rating Action Downgrades and 32 Negative Outlook Revisions**

	S&P Global Ratings	Moody's	Fitch Ratings		
Investment Grade Ratings (IG)	AAA	Aaa	AAA	Extremely Strong	
	AA+	Aa1	AA+	Very Strong	
	AA	Aa2	AA		
	AA-	Aa3	AA-		
	A+	A1	A+	Strong	
	A	A2	A		
	A-	A3	A-		
	Non-Investment Grade Rating (HY Status)	BBB+	Baa1	BBB+	Adequate
		<b>BBB</b>	<b>Baa2</b>	<b>BBB</b>	
		BBB-	Baa3	BBB-	
BB+		Ba1	BB+	Less Vulnerable	
BB		Ba2	BB		
BB-		Ba3	BB-		
Non-Investment Grade Rating (HY Status)		B+	B1	B+	More Vulnerable
		B	B2	B	
		B-	B3	B-	
		CCC+	Caa1	CCC+	Currently Vulnerable
	CCC	Caa2	CCC		
	CCC-	Caa3	CCC-		
	Default	CC	Ca	CC	Currently High Vulnerable
		C	C	C	
		SD	D	RD	Default
	Default	D	D	Default	

## Latest CRA's rating on peer country

	Malaysia	Philippines	Mexico	South Africa	India
<b>S&amp;P</b>	<b>A- (Stable)</b>	<b>BBB+ (Stable)</b>	<b>BBB (stable)</b>	<b>BB- (Positive)</b>	<b>BBB- (Stable)</b>
<b>Fitch</b>	<b>BBB+ (Stable)</b>	<b>BBB (Negative)</b>	<b>BBB (Stable)</b>	<b>BB- (Stable)</b>	<b>BBB- (Stable)</b>
<b>Moody's</b>	<b>A3 (Stable)</b>	<b>Baa2 (Stable)</b>	<b>Baa2 (Stable)</b>	<b>Ba2 (Stable)</b>	<b>Baa3 (Stable)</b>



03



## BUDGET UPDATES

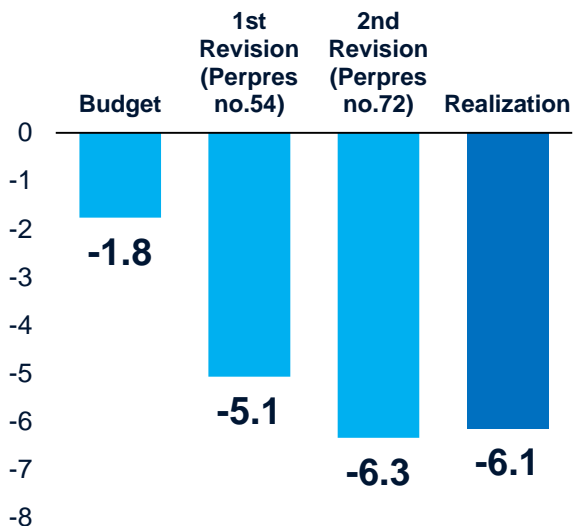




# THE PANDEMIC PUT UNPRECEDENTED PRESSURES ON FISCAL POSITION

## 2020 Extraordinary Policy

Budget Deficit (% GDP)



Economic Recovery Program (PEN) allocation

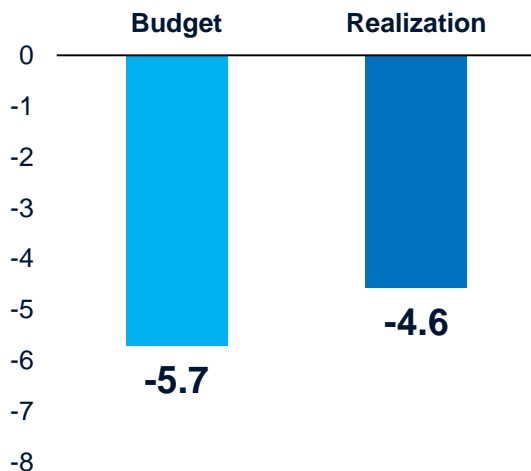
**IDR 575.9 Trillion**



Reforms: Omnibus Law on Job Creation (Law No.11/2020)

## 2021 Pandemic Handling & Recovery

Budget Deficit (% GDP)



Economic Recovery Program (PEN) allocation

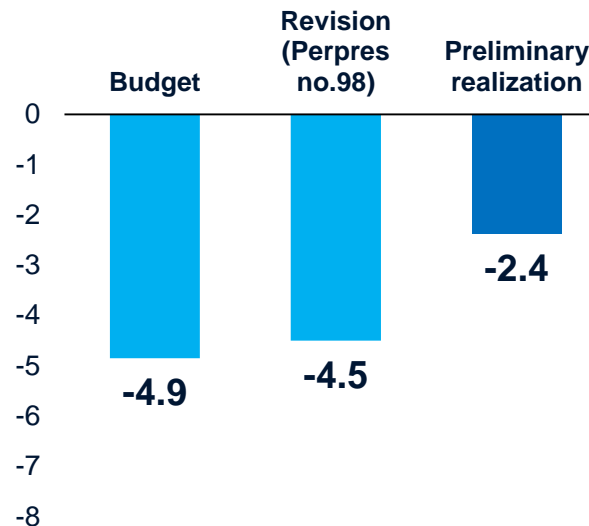
**IDR 655.1 Trillion**



Tax Reforms (Law No.7/2021)

## 2022 Accelerate Recovery & Reform

Budget Deficit (% GDP)



Central – Regional Finance Relation Reforms (Law No.1/2022)

## 2023 High Quality Fiscal Consolidation

Budget Deficit (% GDP)



Omnibus Law on Financial Sector (Law No.4/2023)



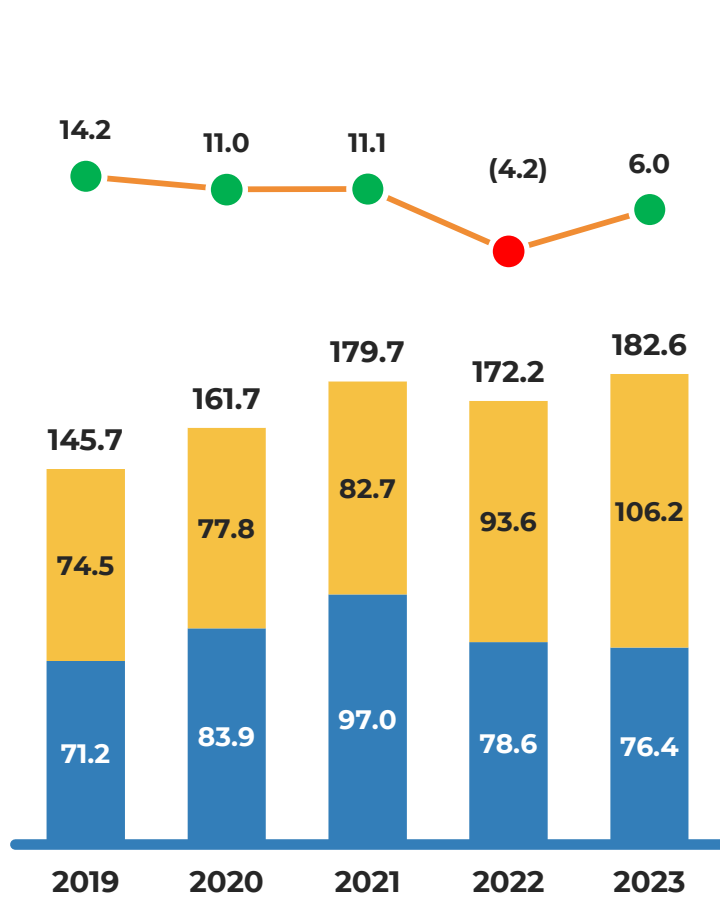
# BUDGET OUTTURN UP TO FEBRUARY 2023 SHOWED PROMISING SIGN

Account (IDRtn)	2022			2023			
	Real. as of 28 Feb	% to Revised Budget	Growth (%)	Budget	Real. as of 28 Feb	% to Budget	Growth (%)
<b>A. Revenue</b>	<b>302.6</b>	<b>13.4</b>	<b>37.8</b>	<b>2,463.0</b>	<b>419.6</b>	<b>17.0</b>	<b>38.7</b>
I. Tax Revenue (DG Tax & Custom-Excise)	256.2	14.4	41.0	2,021.2	333.2	16.5	30.1
1. Tax	199.5	13.4	36.5	1,718.0	280.0	16.3	40.4
2. Custom & Excise	56.7	19.0	59.3	303.2	53.3	17.6	(6.1)
II. Non-Tax Revenue	46.3	9.6	22.8	414.4	86.4	19.6	86.6
<b>B. Expenditure</b>	<b>282.7</b>	<b>9.1</b>	<b>(0.1)</b>	<b>3,061.2</b>	<b>287.8</b>	<b>9.4</b>	<b>1.8</b>
I. Central Government	172.2	7.5	(4.2)	2,246.5	182.6	8.1	6.0
1. Line Ministries Spending	78.6	8.3	(19.0)	1,000.8	76.4	7.6	(2.8)
2. Non-Line Ministries	93.6	6.9	13.2	1,245.6	106.2	8.5	13.4
II. Regional Transfer & Village Funds	110.5	13.7	7.1	814.7	105.2	12.9	(4.8)
<b>C. Primary Balance</b>	<b>61.9</b>	<b>(14.2)</b>	<b>370.1</b>	<b>(156.8)</b>	<b>182.2</b>	<b>(116.2)</b>	<b>194.3</b>
<b>D. Surplus (Deficit)</b>	<b>19.9</b>	<b>(2.4)</b>		<b>(598.2)</b>	<b>131.8</b>	<b>(22.0)</b>	<b>562.2</b>
<b>% to GDP</b>	<b>0.10</b>			<b>(2.84)</b>	<b>0.63</b>		
<b>E. Financing</b>	<b>84.0</b>	<b>10.0</b>		<b>598.2</b>	<b>182.2</b>	<b>30.5</b>	



# GOVERNMENT MAINTAINS FOCUS ON PRIORITY SPENDING

## Central Government Spending

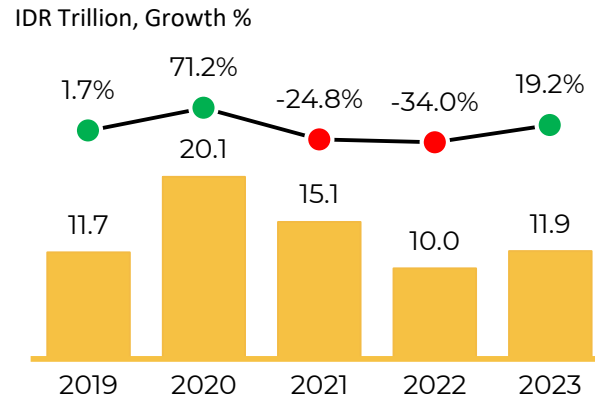


Column1

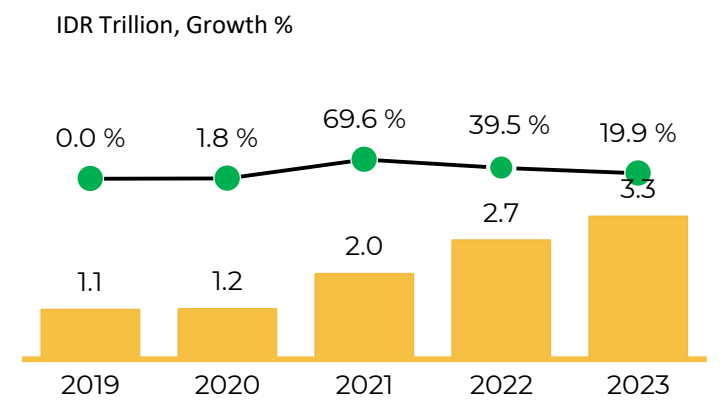
Non-Line Ministries Spending (IDR T)

Growth (%)

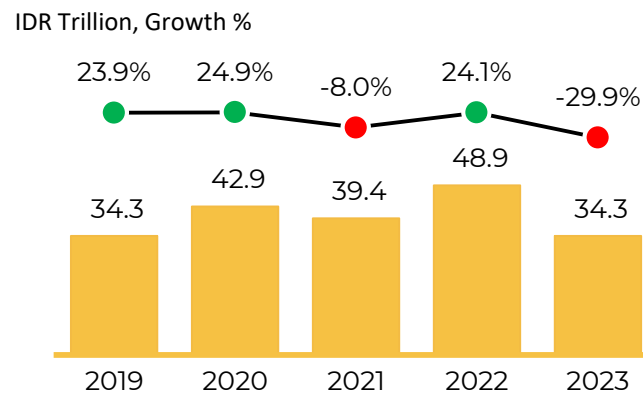
## Health Spending



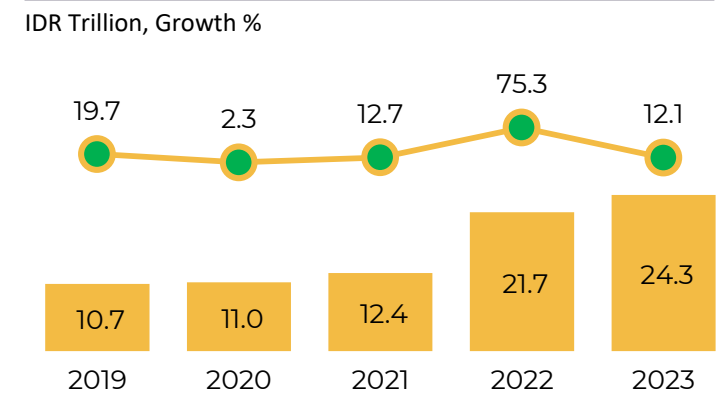
## Food Security Spending



## Social Protection Spending



## Subsidy Spending

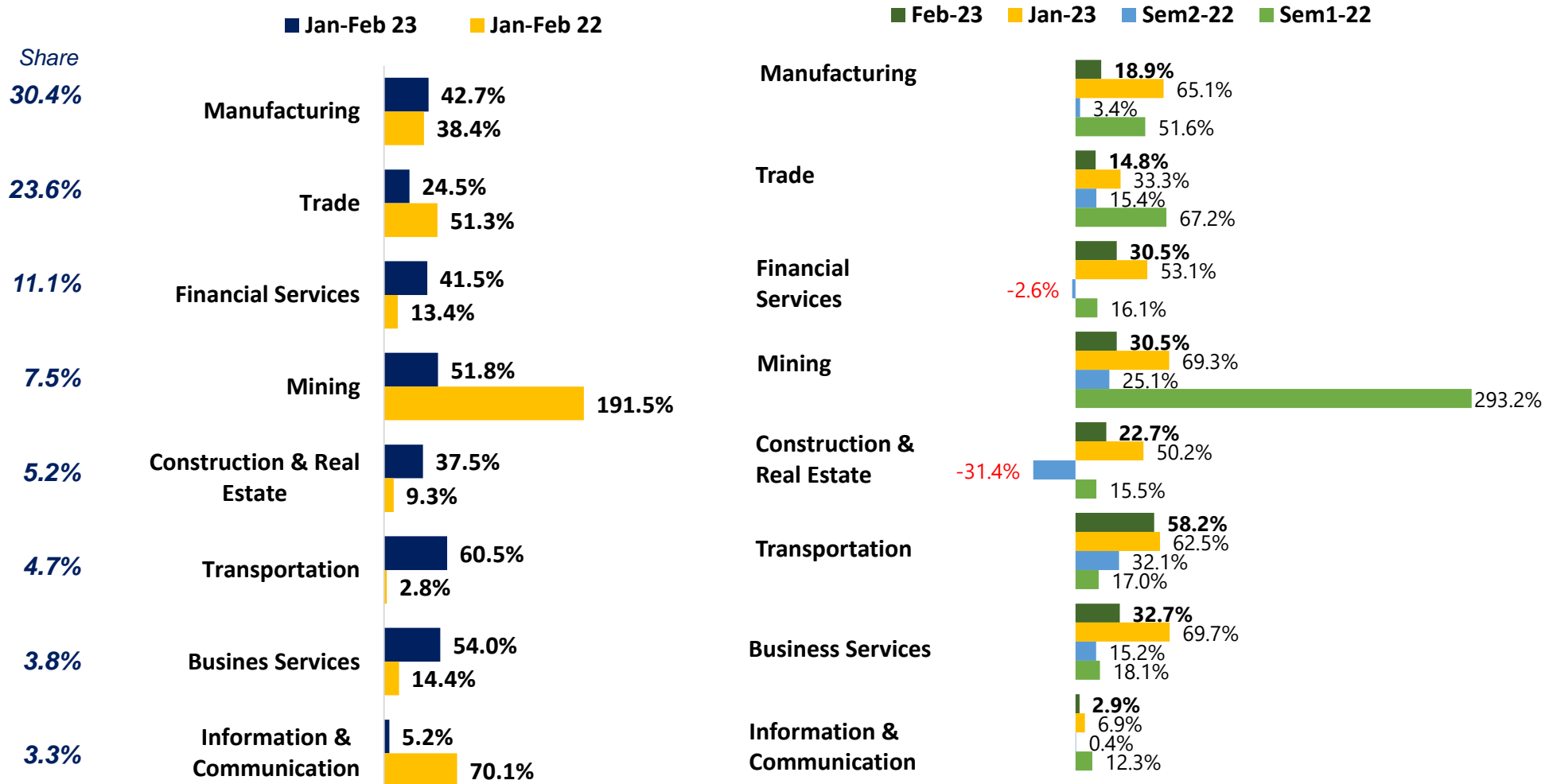




# BUDGET OUTTURN UP TO FEBRUARY 2023 SHOWED PROMISING SIGN

## Positive Growth in Main Sector Tax Revenue

### Tax Performance (cumulative growth y-o-y)

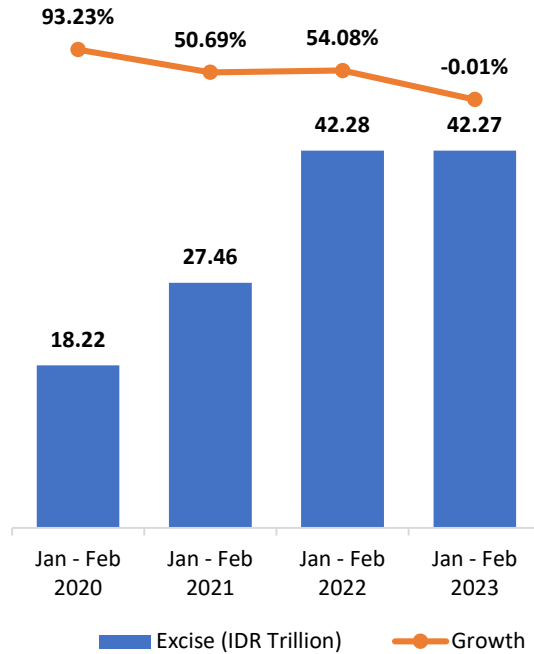




# CUSTOMS AND EXCISE REVENUES ARE SLIGHTLY SLOW BUT ON-TRACK

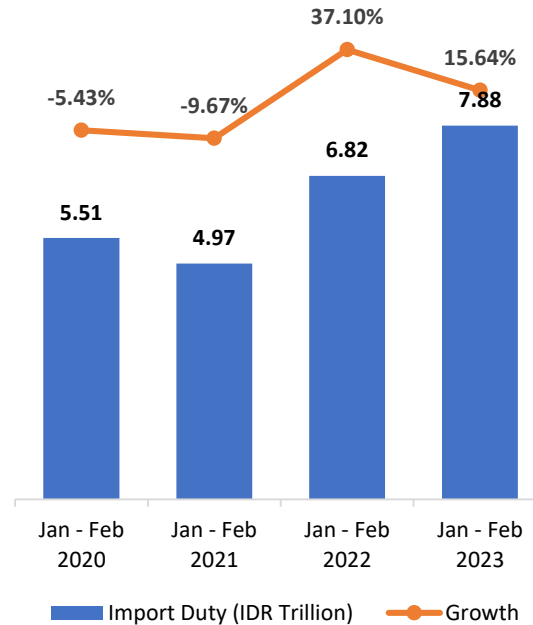
*Due to decreased export duty receipts, but import duty and excise revenues still showed positive performance.*

### Excise Revenue



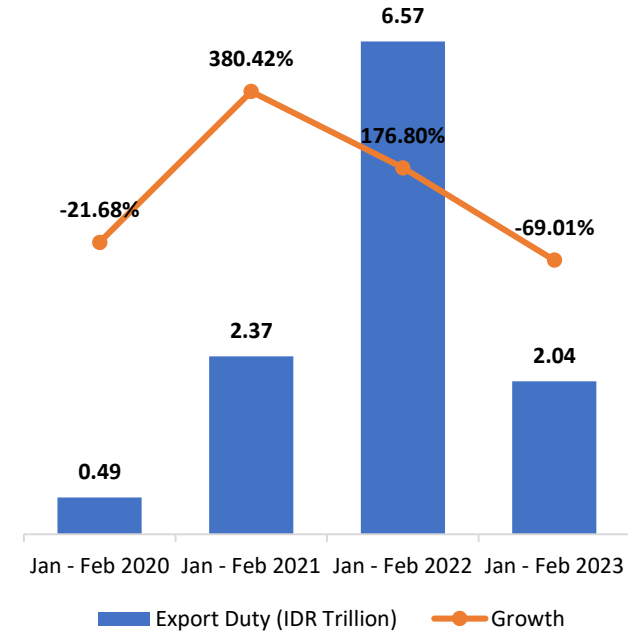
Influenced by tariff policies, the overflow effect of repayment of tobacco products produced in December 2022, and the effectiveness of supervision

### Import Duty Revenue



Driven by extra effort in January, the dollar exchange rate increased compared to last year and Vehicle Import Duty

### Export Duty Revenue

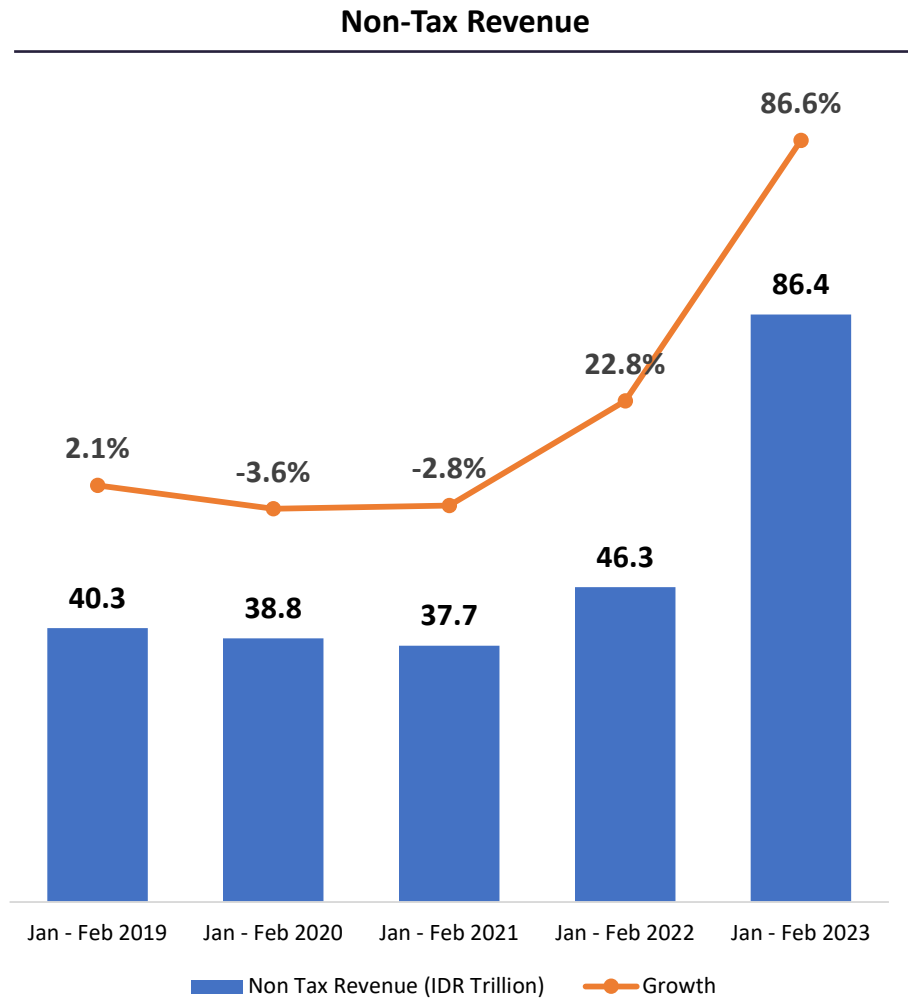


Affected by the moderated price of CPO and the decline in the export volume of mineral commodities



# REALIZATION OF NON TAX REVENUE CONTINUES TO INCREASE

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



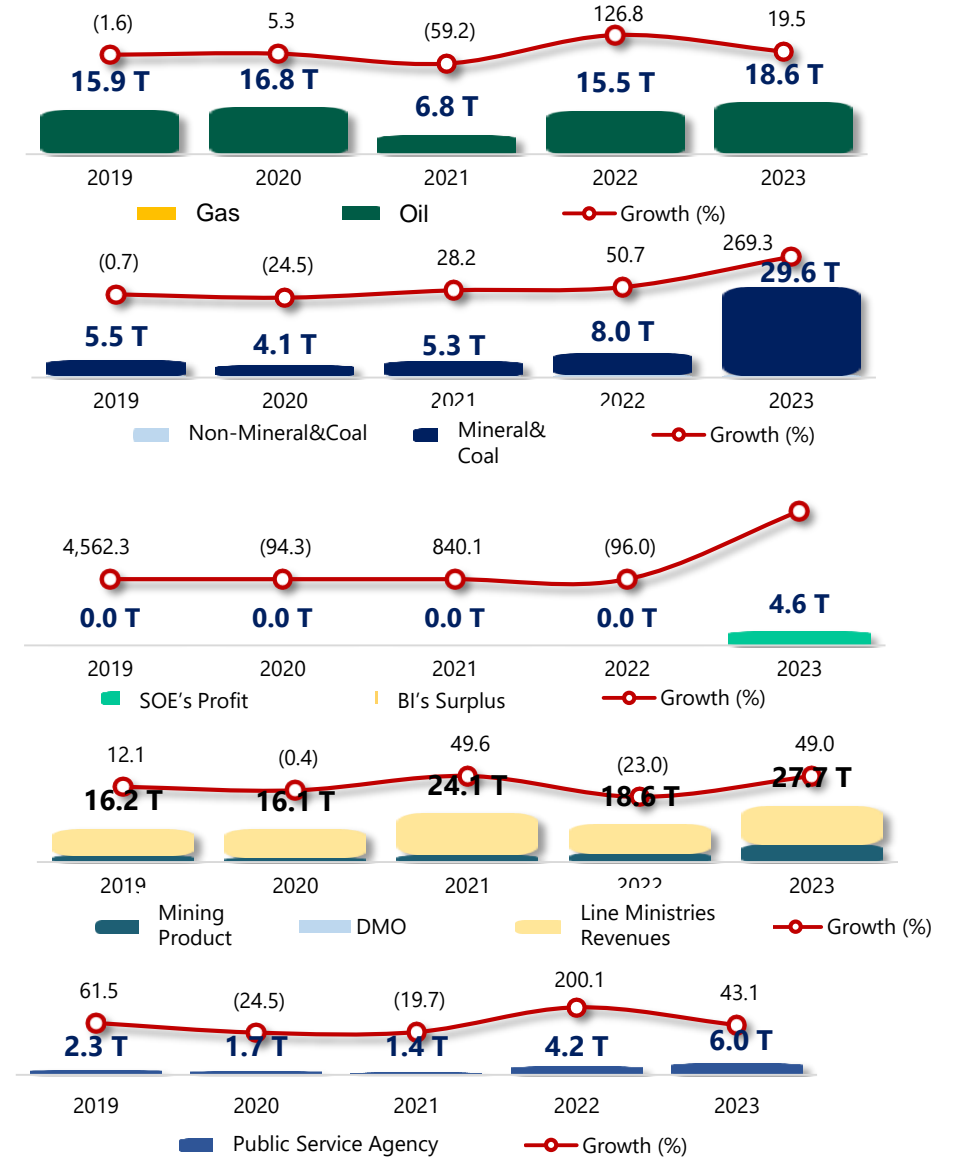
Oil & Gas Revenue

Non-Oil & Gas Revenue

SOE's Revenue

Other Non-Tax Revenues

Public Services Agency (BLU) Revenue



Source: Ministry of Finance, YTD 28 February 2023



# THE PERFORMANCE OF TRANSFERS TO THE REGION REQUIRES IMPROVEMENT

## Transfer to Region Fund

(January – February)

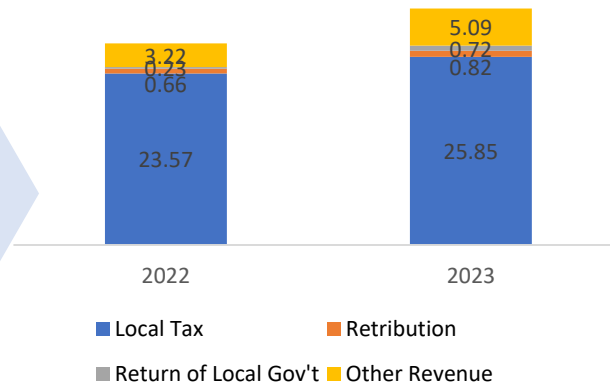


- The distribution of transfers to regions in the Indonesian government budget decreased by 4.8% in nominal terms as of February 28, 2023.
- The total disbursement was IDR 105.2 T (12.9%), slightly lower than the disbursement in FY 2022 of IDR 110.5 T (13.7%).
- Some of the Transfer to Region funds have not been disbursed yet due to waiting for the submission of disbursement requirements from the Regional Government.

## Local Government Performance

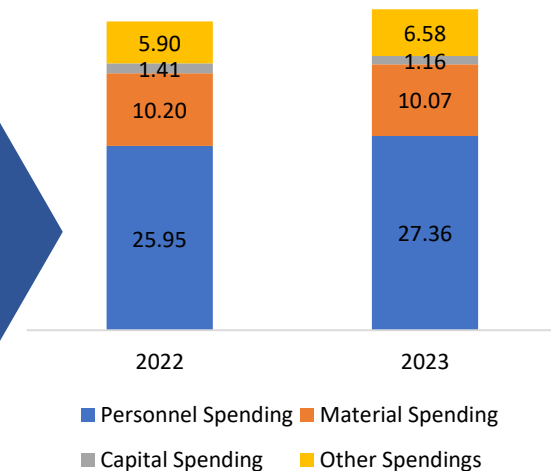
### REVENUE

Regional Tax performance in February 2023 grew 9.7% (y.o.y), driven by growth in the realization of consumptive taxes, indicating that the economic activities of the people in the regions are continuing to improve.



### SPENDING

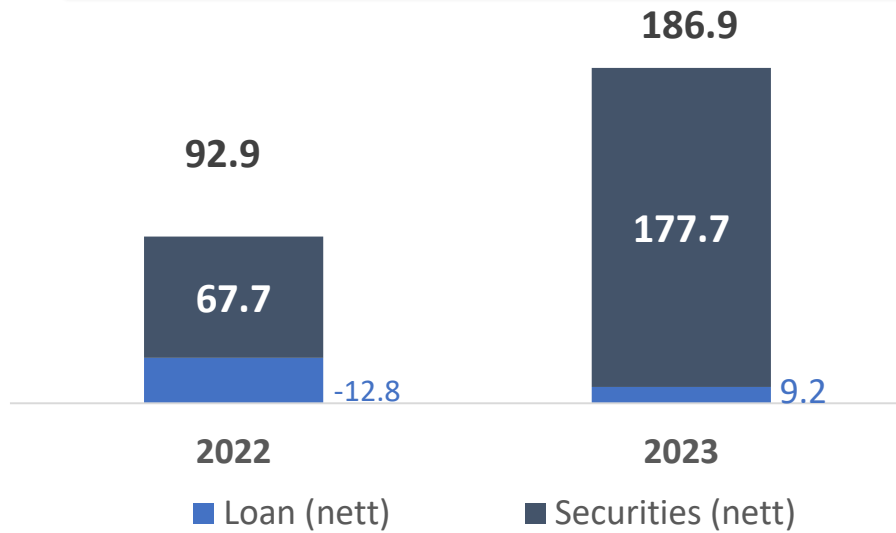
Up to Feb, local Gov't spending grew by 4.0% (yoy) contributed by Personnel and Other Spending.





# BUDGET FINANCING APPLY PRUDENT, FLEXIBLE, AND OPPORTUNISTIC PRINCIPLE

## Financing Realization Up To 28 February



## Domestic Loan (Nett) IDR (0.18 T)

- Domestic Loan Withdrawal (Gross) **IDR 0.02T**
- Domestic loan principal installment financing **IDR (0.2T)**

## Foreign Loan (Nett) IDR 9.35 T

- Foreign Loan Withdrawal (Gross) **IDR 16.91T**
- Foreign loan principal installment financing **IDR (7.56T)**

## PLAN & REALIZATION OF INVESTMENT FINANCING AS OF 28 FEB 2023



**Housing Financing Liquidity Facility**  
IDR 85.8T\*

- IDR 6T disbursement for The Low Income People's Housing Financing
- 16,647 Housing under FLPP financing valued at IDR 1,85T



**Education Fund Management Agency (LPDP)**  
IDR 134.1T\*

- Financing LPDB by IDR 15T



**International Development Cooperation Fund (LDKPI)**  
IDR 8T\*

- Financing LDKPI by IDR 2T





# THANK YOU

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FISCAL POLICY AGENCY, MINISTRY OF FINANCE,  
REPUBLIC OF INDONESIA

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