



MINISTRY OF FINANCE
REPUBLIC OF INDONESIA

RECENT MACROECONOMIC AND FISCAL UPDATE

MINISTRY OF FINANCE
April 2023



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01



GLOBAL UPDATE & RISKS



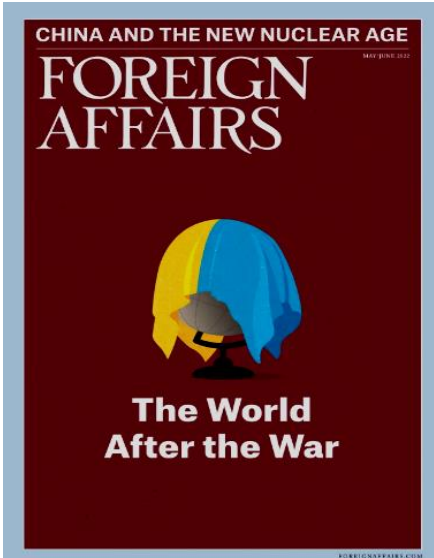
ESCALATING GLOBAL GEOPOLITICAL CHALLENGES

2021



- **Global Growth Rebounds, But Uneven Recovery**
- **Supply Disruptions and Rebound Drive Commodity Price Increase and Inflation Pressure**
- **Monetary Tightening Begins**

2022



- **War in Ukraine & geopolitical tensions** -> persistent inflationary pressures & aggressive monetary tightening.
- **Tightening of liquidity & volatility** in the global financial sector.
- **Vulnerability in food and energy.**
- **China's Zero Covid policy.**
- **Weakening global prospects.**

2023 - 2024



- **Geopolitical tension remains high**
- **Global growth rebounds in 2024**
- **Inflation peaks and begins to slow down**
- **Monetary tightening slows down but interest rates remain high**
- **China's reopening boosts global growth**
- **Asia remains a global engine (ASEAN and India)**
- **Increasing Global Challenges Due to Banking Stability Pressure**

Geopolitical Tensions Add to Global Uncertainty and Economic Challenges

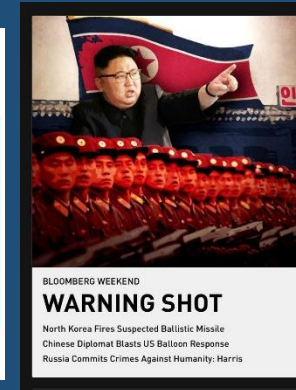
Since the beginning of 2023, geopolitical tensions have continued to escalate...

U.S. handling of balloon incident 'hysterical', says China's top diplomat

By Reuters



The suspected Chinese spy balloon drifts to the ocean after being shot down off the coast in Surfside Beach, South Carolina, U.S. February 4, 2023. REUTERS/Randall Hill



WARNING SHOT

North Korea Fires Suspected Ballistic Missile
Chinese Diplomat Blasts US Balloon Response
Russia Commits Crimes Against Humanity-Harris



Zelenskyy to visit Paris for surprise talks with Macron, Scholz

Ukraine's president continues whistle-stop tour of Western capitals.



Volodymyr Zelenskyy's European tour comes as Ukraine asks allies for more weapons and braces for a possible Russian offensive

BY CLEA CAULCUTT

FEBRUARY 8, 2023 | 4:08 PM CET

Long-term geopolitical challenges remain high, driven by both the global power shift and carbon emission control policies

- **The EU Carbon Border Adjustment Mechanism (CBAM)** could have a negative impact on certain industries/sectors in developing countries (such as cement, aluminum, steel, chemicals, etc)
- **The US Inflation Reduction Acts (IRA)**, which potentially sharpens competition in green economy subsidies with Europe, could pose a threat to countries with limited green capital and technology, including Indonesia.

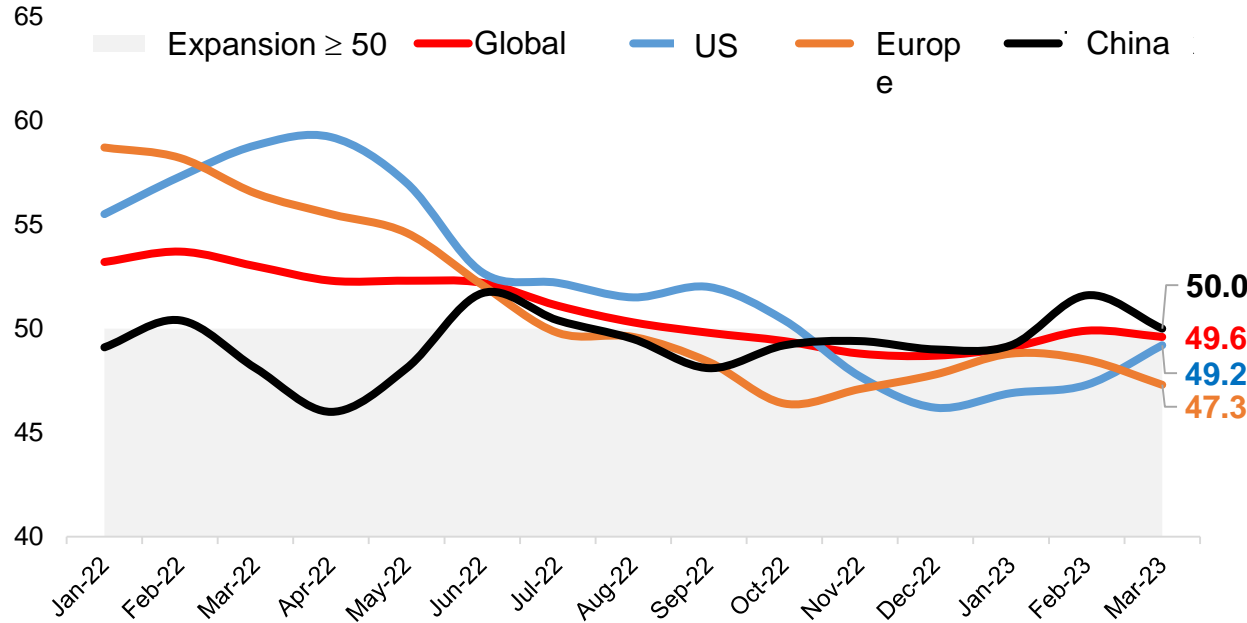


PMI MANUFACTURING RETURNS TO CONTRACTION ZONE

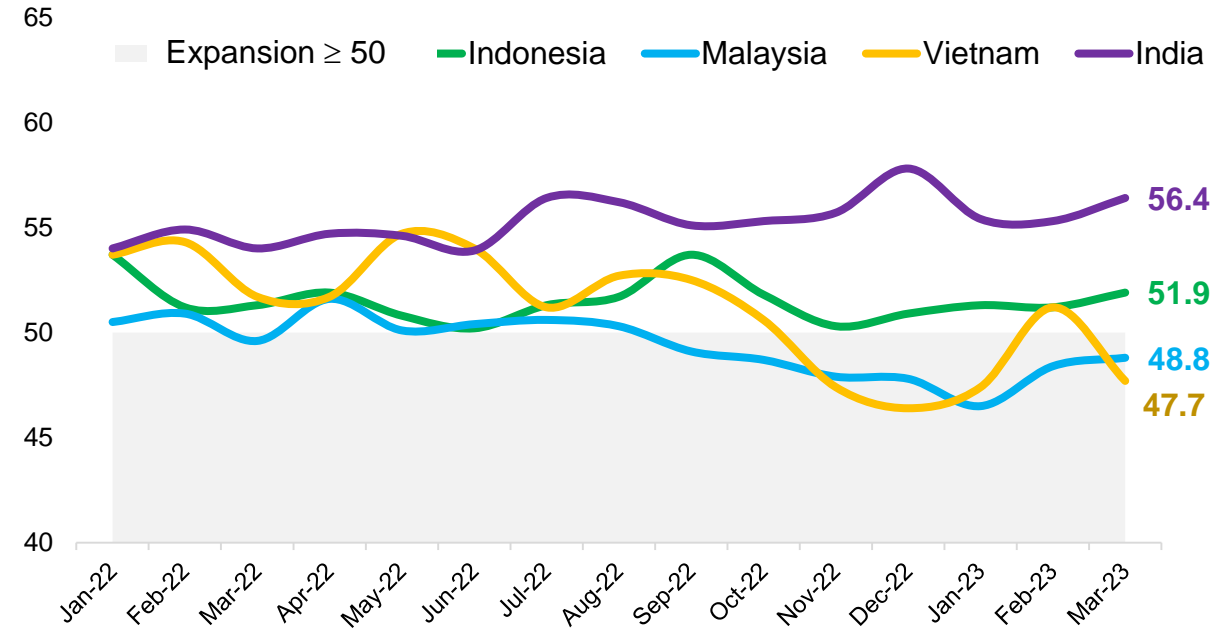
Manufacturing Activities Remain Contractive in Nearly 60% of G-20 and ASEAN-6 Countries, while Indonesia and India Show Expansion

PMI Manufacturing March 2023

Major Countries

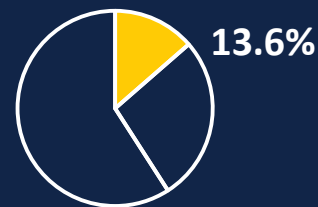


Asian Countries



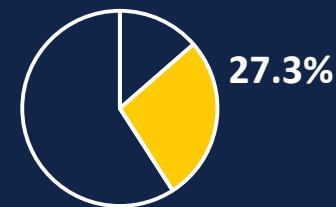
Distribution of Manufacturing PMI among G20 and ASEAN-6 Countries in March 2023 (minus SAU, ARG, SGP)

Expansion - Acceleration



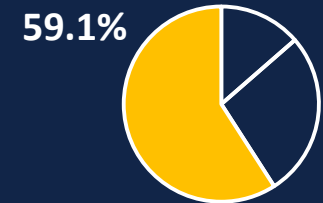
India, Indonesia, Turkey

Expansion - Slowing



Thailand, Philippines, Italy, Russia, China, Mexico

Contraction



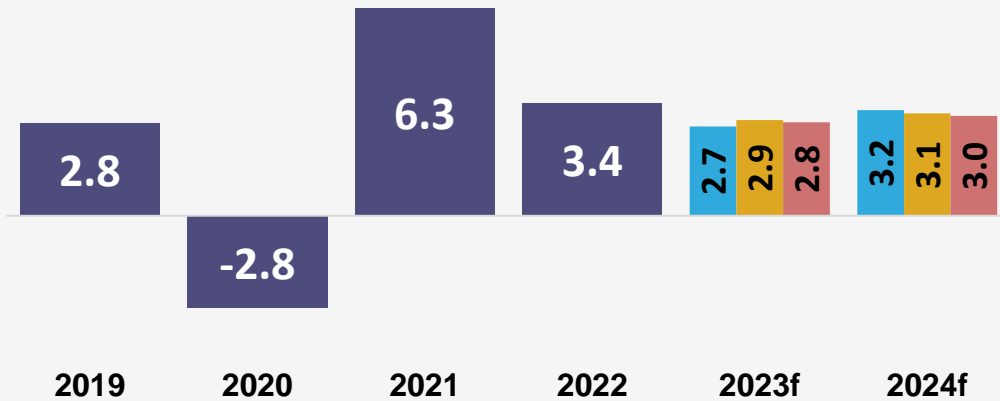
US, Euro Zone, UK, Germany, France, Japan, Brazil, Malaysia, Vietnam, South Korea, South Africa, Canada, Australia



GLOBAL RECOVERY CONTINUES TO FACE CHALLENGES

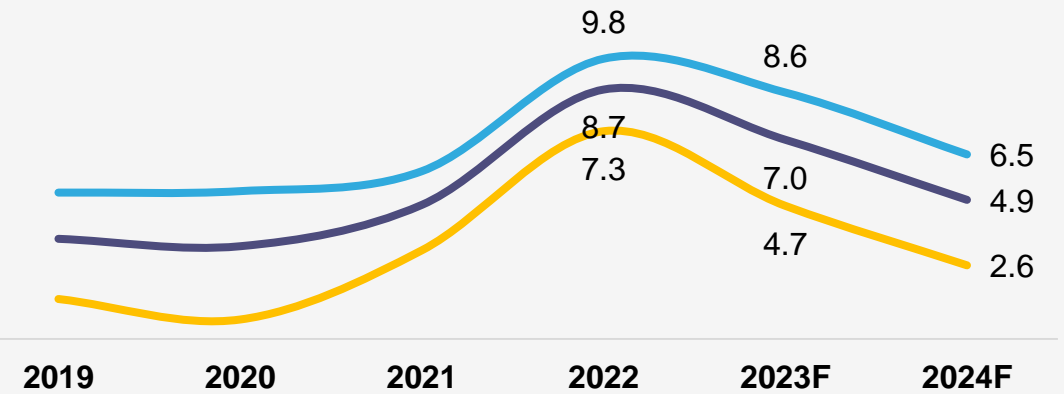
IMF's Global Economic Growth Projections, % YoY

■ WEO Okt '22 ■ WEO Jan '23 ■ WEO Apr '23



IMF's Inflation Projections, % YoY

— Global — Advanced Countries — Emerging & Developing Economies



Country	2020	2021	2022	WEO IMF (April)			
				2023f	2024f		
World	-2.8	6.3	3.4	2.8	↓ Compared to the WEO Jan projection	3.0	↓ 0.1
Advanced Countries	-4.2	5.4	2.7	1.3	↑ 0.1	1.4	No change
US	-2.8	5.9	2.1	1.6	↑ 0.2	1.1	↑ 0.1
Euro Zone	-6.1	5.4	3.5	0.8	↑ 0.1	1.4	↓ 0.2
Emerging & developing Economies	-1.8	6.9	4.0	3.9	↓ 0.1	4.2	No change
China	2.2	8.5	3.0	5.2	No change	4.5	No change
Indonesia	-2.1	3.7	5.3	5.0	↑ 0.2	5.1	No change
India	-5.8	9.1	6.8	5.9	↓ 0.2	6.3	↓ 0.5

- **Global economic growth, which grew 3.4% in 2022, is projected to slow to 2.8% in 2023 before improving to 3.0% in 2024 (each down 0.1 pp from January projections).** The momentum of the early-year recovery has faded amid persistent high inflation and financial sector turbulence. **Global inflation projections for 2023-2024 have risen by 0.4 pp and 0.6 pp to 7.0% and 4.9%, respectively.**
- **Downside risks remain dominant, with the potential for a hard landing if risks escalate further.** The main risks stem from financial sector pressures, debt distress, escalation of the war in Ukraine that could trigger commodity price increases, persistently high core inflation, and geoeconomic fragmentation.



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02

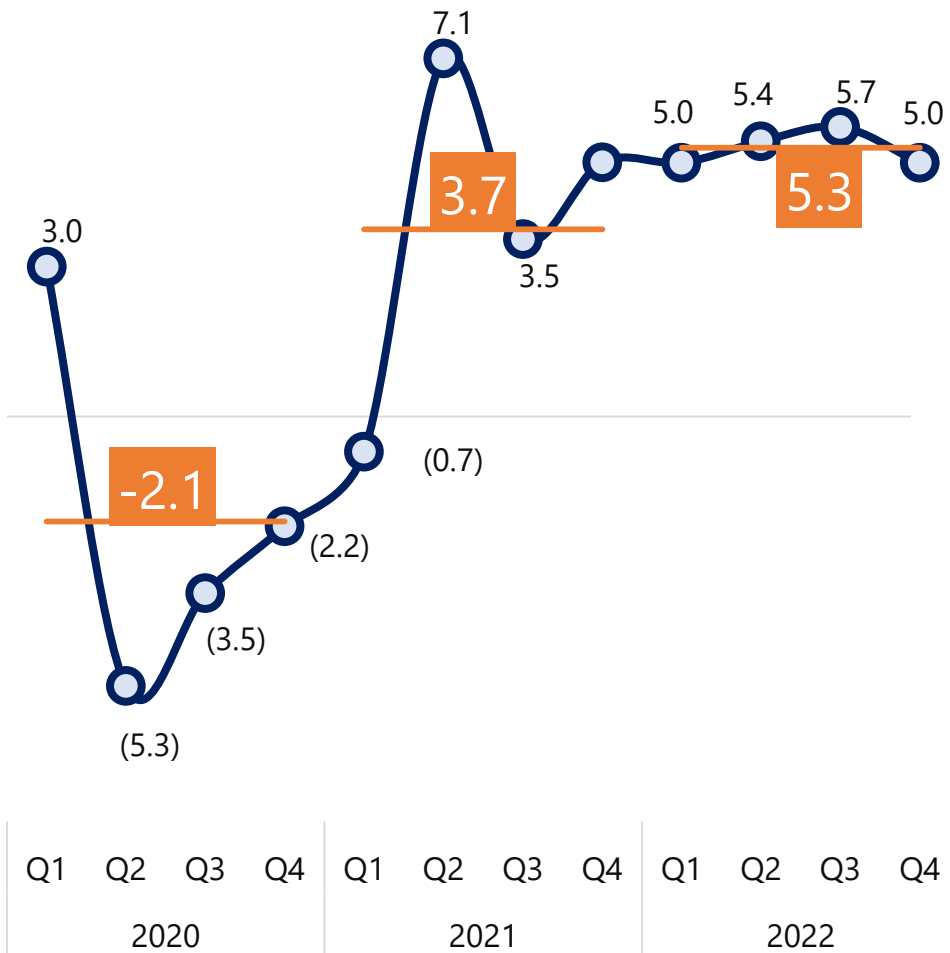


INDONESIAN ECONOMIC OVERVIEW



STRONGER ECONOMIC RECOVERY IN 2022

Economic Growth (% ,yoy)



Expense Growth (%)

Household consumption

share: 51,9%

Government consumption

share: 7,7%

Gross Fixed Capital Formation

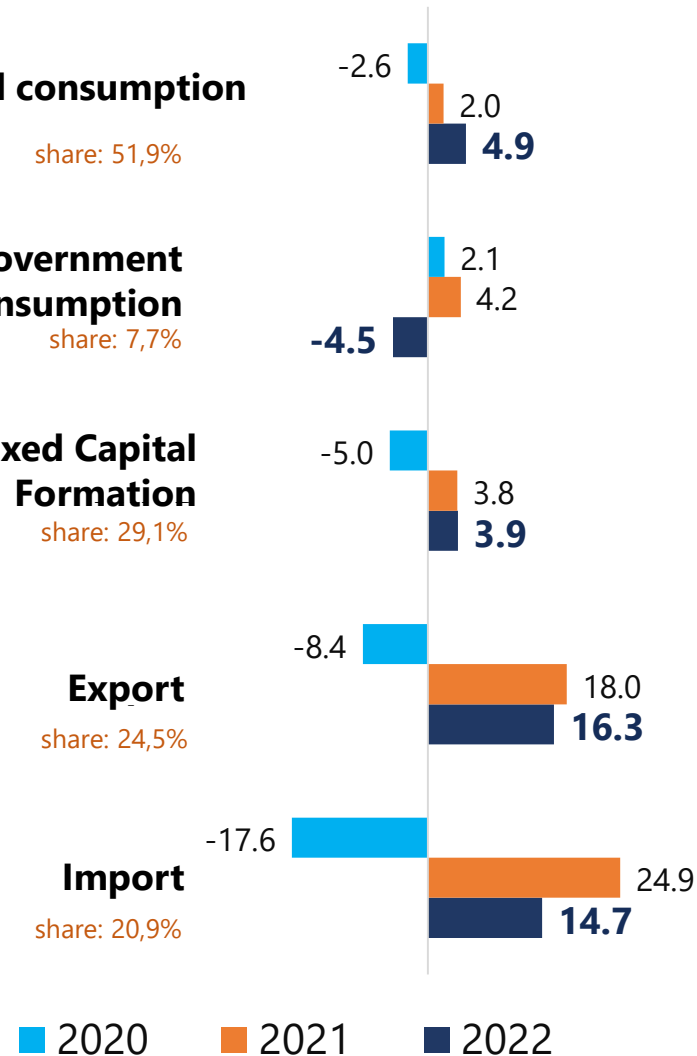
share: 29,1%

Export

share: 24,5%

Import

share: 20,9%



- 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.

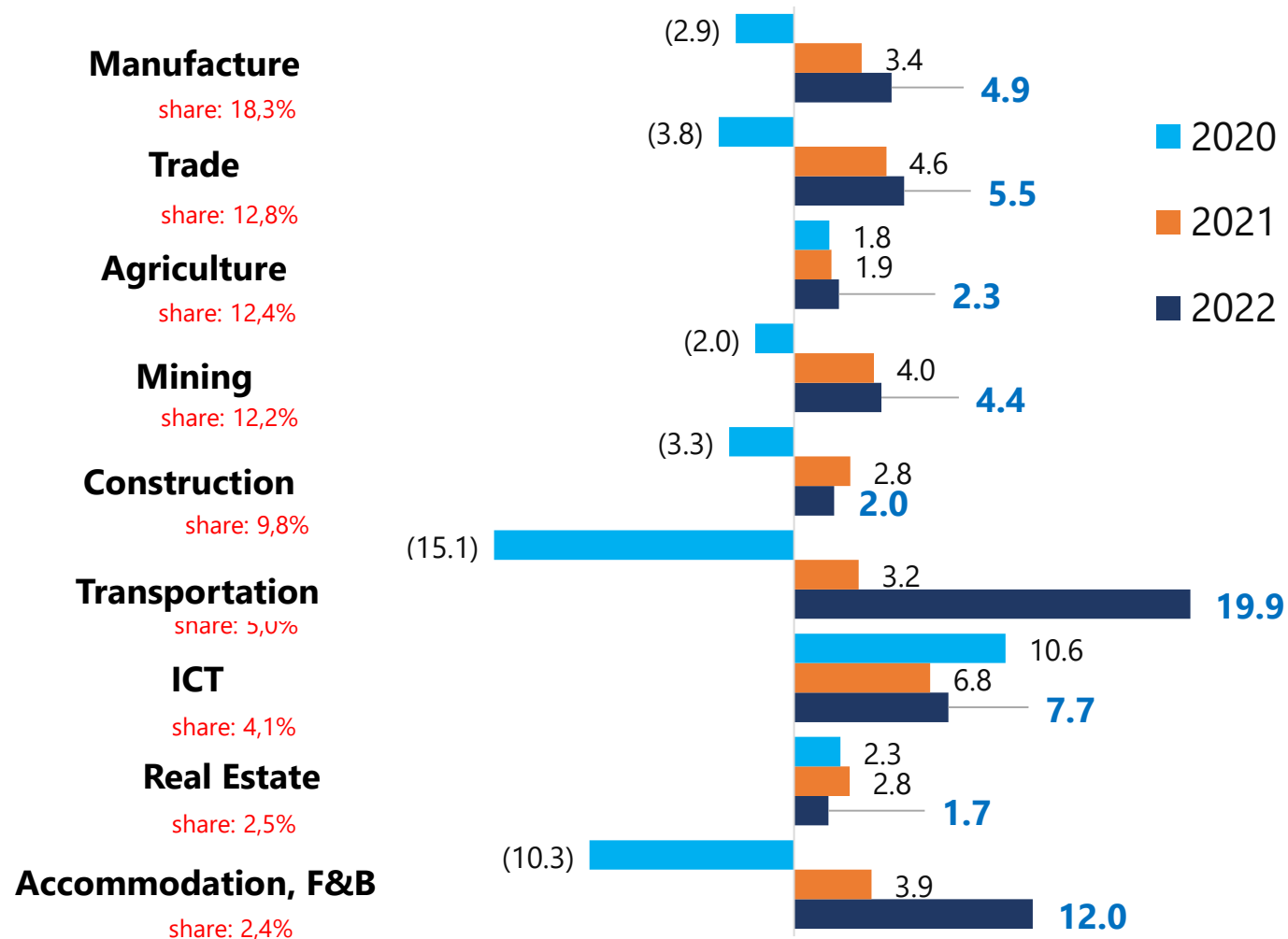
- The downstream of natural resources** was one of the main sources driving export performance in 2022.

- 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 (%)



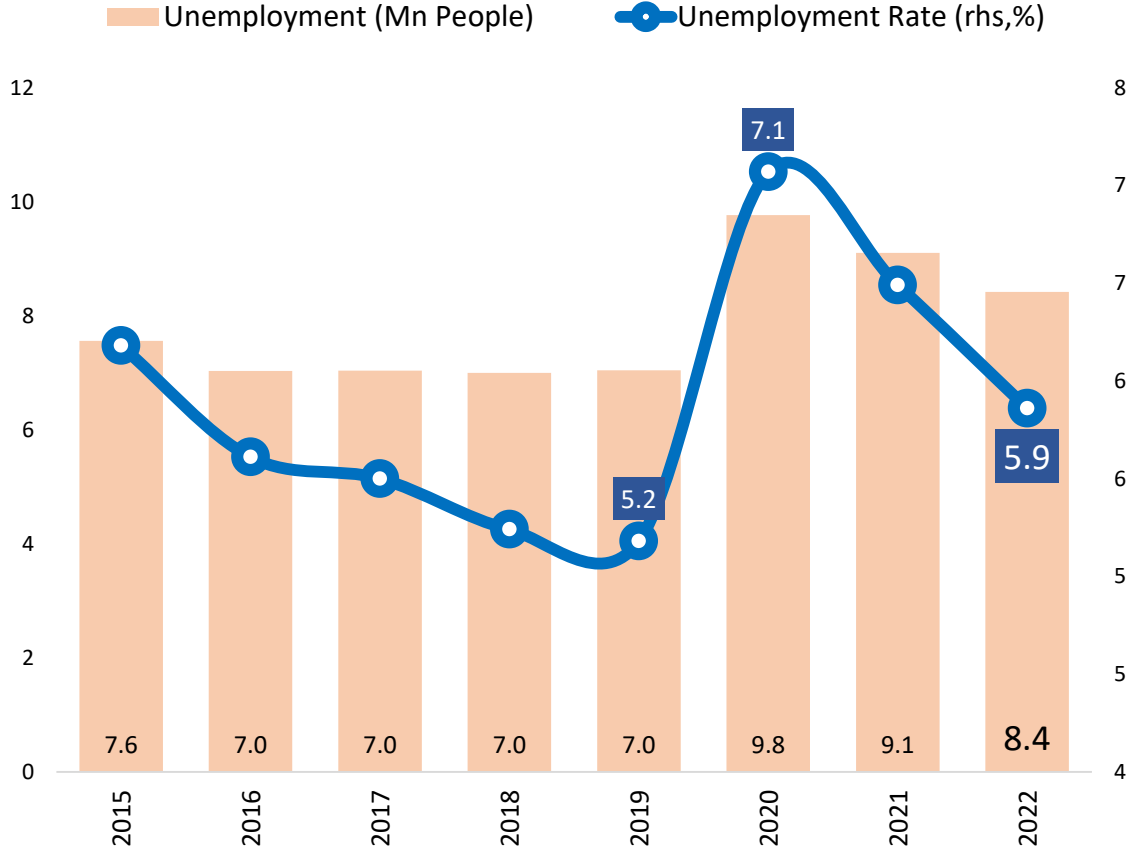
- **The manufacturing and trade sectors have regained**, in line with the increasing demand for manufactured products such as steel, machinery, and electronic devices from the global market.
- **The accommodation & food and drink and transportation sectors grew high**, in line with the relaxation of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

QUALITY GROWTH PERFORMANCE

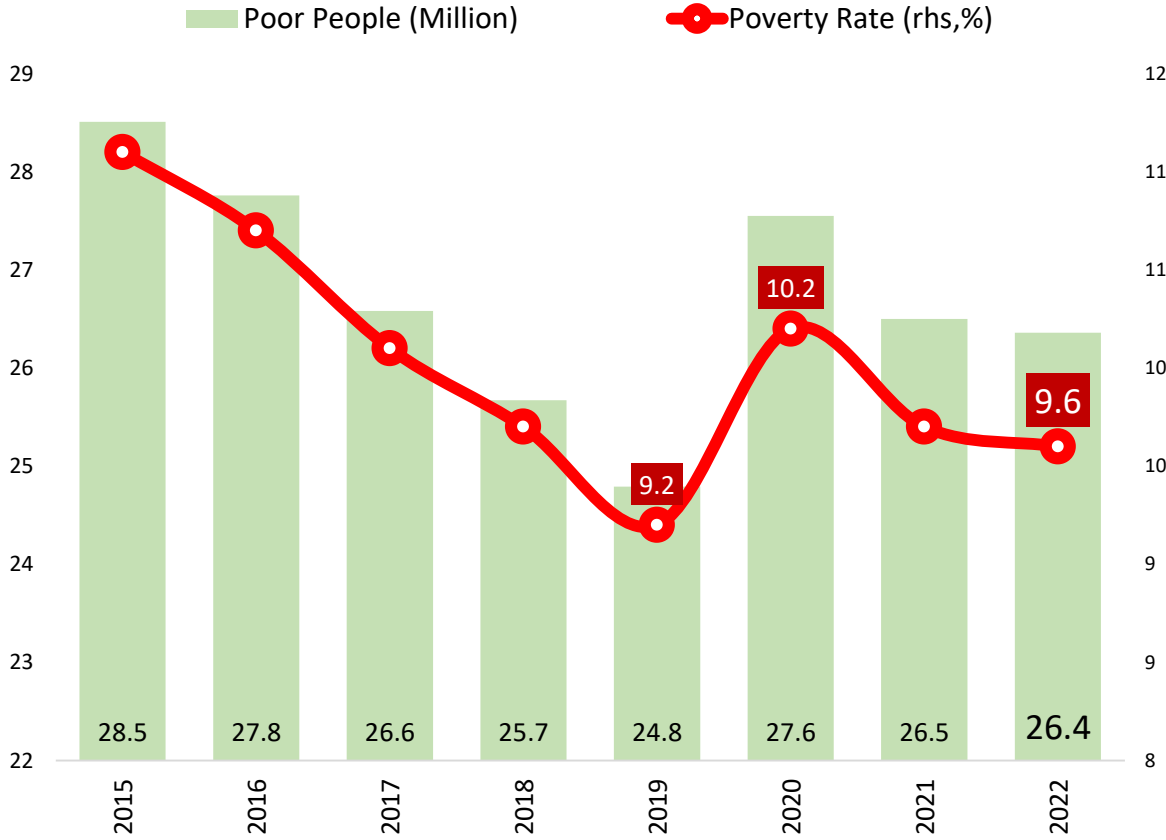
Creating jobs & lifting people out of poverty

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

Unemployment Rate



Poverty Rate



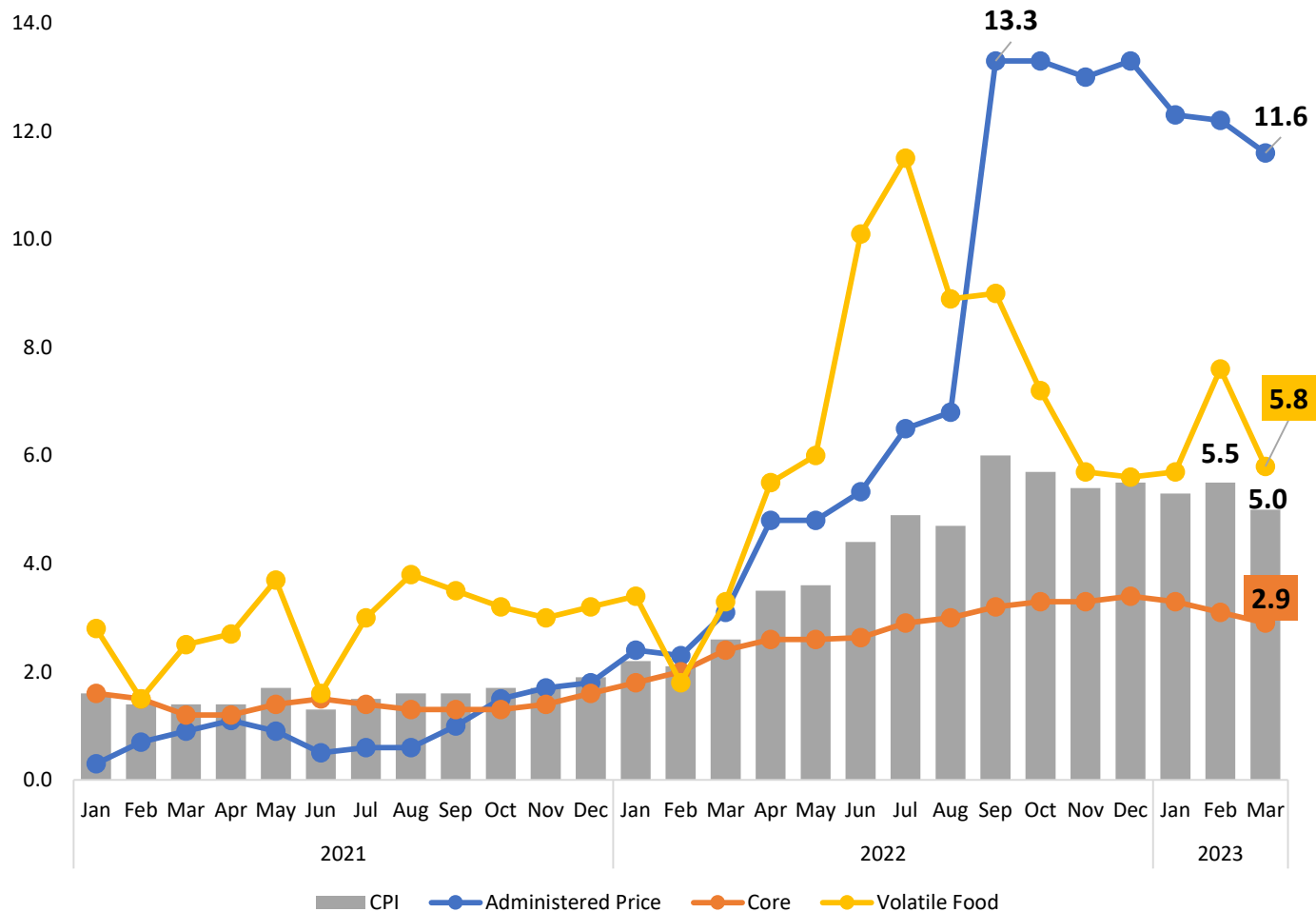
Source: Statistics Indonesia



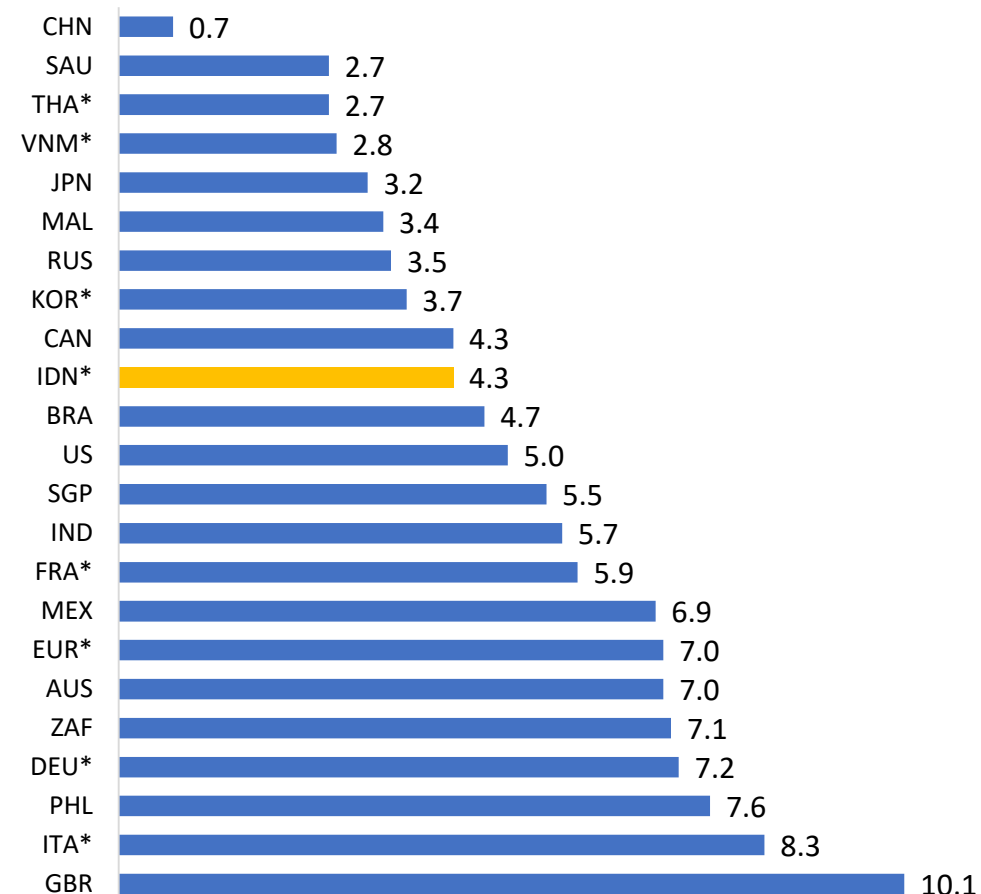
INFLATION EASES UP IN MARCH 2023

Strengthening Food Inflation Control for Price Stability during Religious Holidays

INDONESIA'S INFLATIONARY RATE (% , YOY)



COUNTRIES' INFLATION (% , YOY)



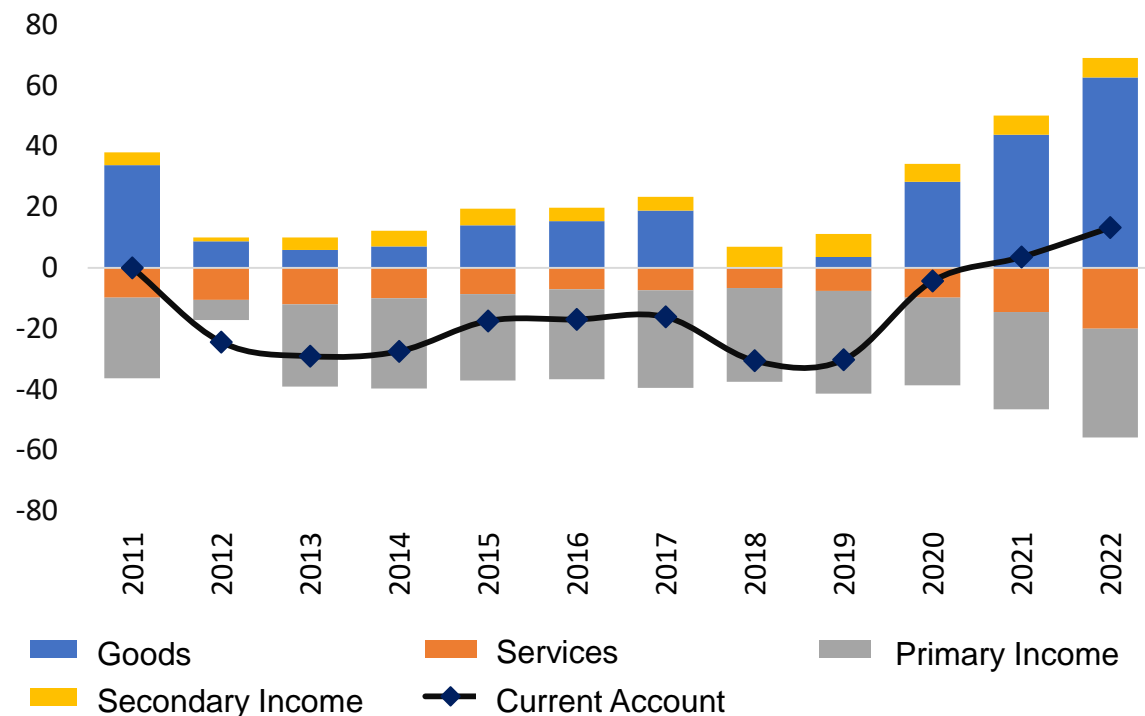
* February 2023

** January 2023

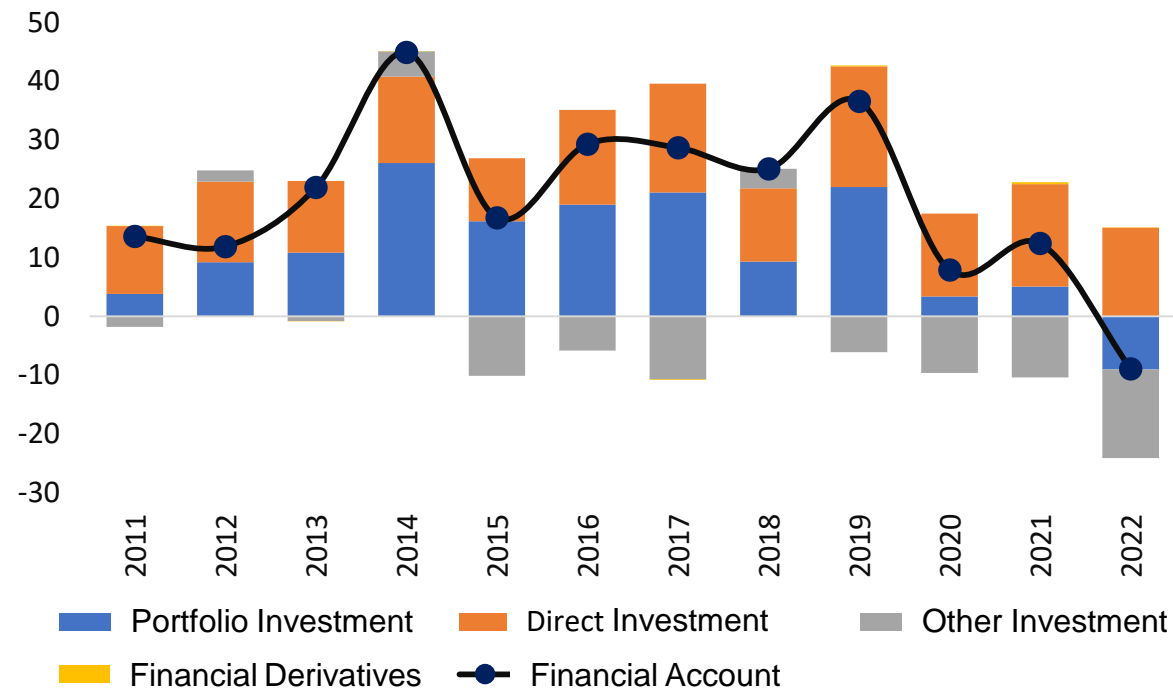


INDONESIA'S BALANCE OF PAYMENTS IN 2022 CONTINUES TO RECORD A SURPLUS

Current Account (USD Billion)



Capital and Financial Account (USD Billion)



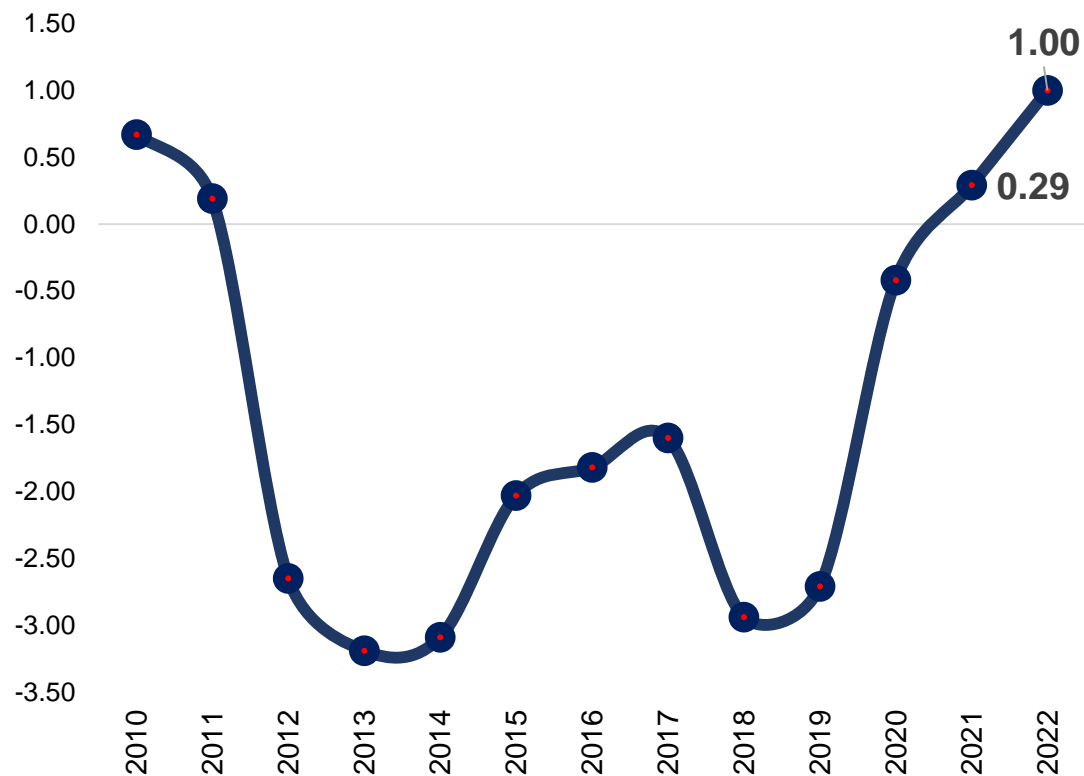
- Balance of Payments (BOP) in 2022 recorded a **surplus of USD 4 billion**, supported by the continued strengthening of the current account, while the capital and financial account recorded a deficit.
- Current account surplus is supported by **export performance** which continues to increase.
- Capital 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

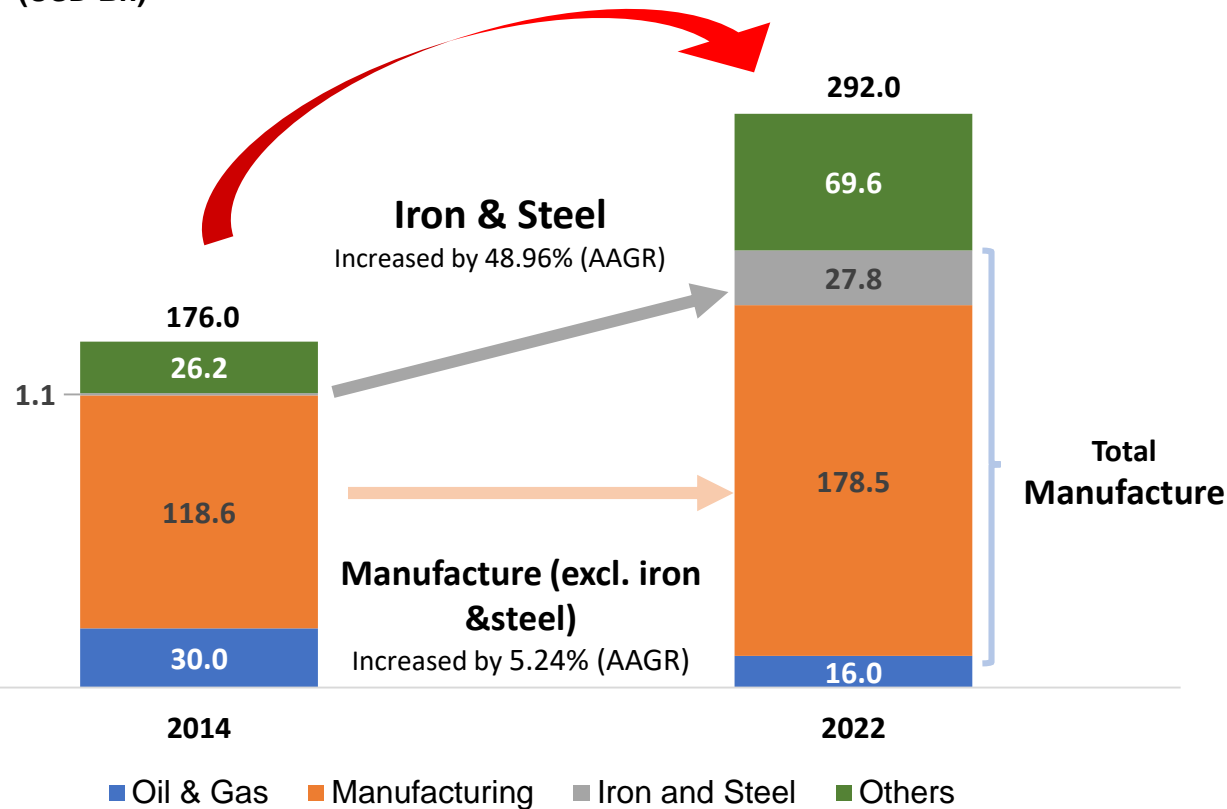
Strong export performance and commitment to developing downstream products

Current Account Balance (% of GDP)



Comparison between 2014 and 2022 Exports (USD Bn)

(USD Bn)



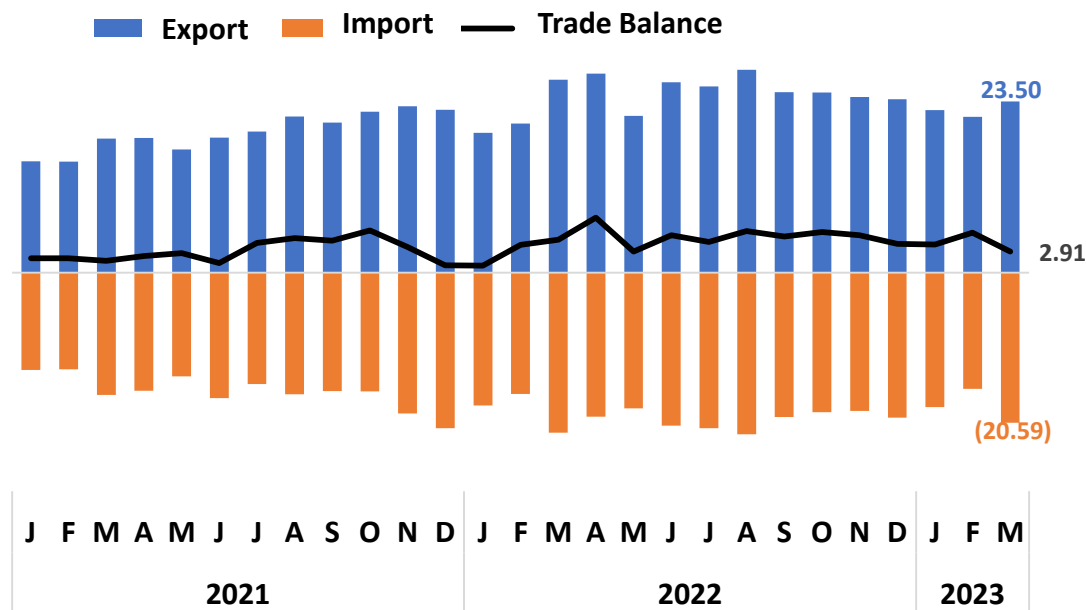
- The increase in export performance was driven by rising commodity prices and also natural resources downstream products
- remain vigilant over the impact of the global economic slowdown, particularly on some manufactured products.
- Export diversification (markets and products) needs to be encouraged,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



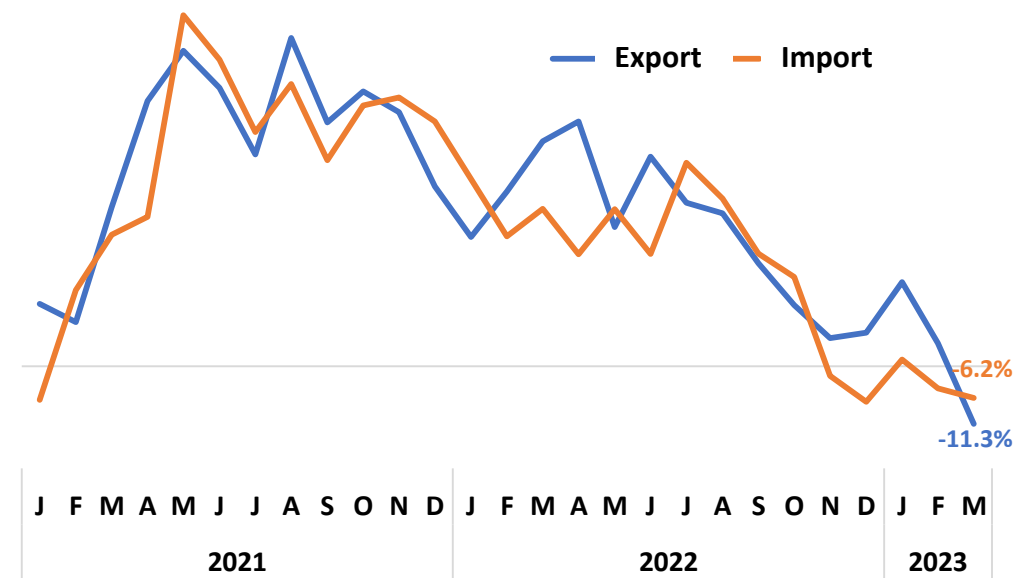
TRADE BALANCE CONTINUES TO RECORD SURPLUS FOR 35 MONTHS

Export performance at the beginning of 2023 continued its positive trend

Indonesia's Trade Balance Development (in US\$ Billions)



Indonesia's Export and Import Growth (yoy)

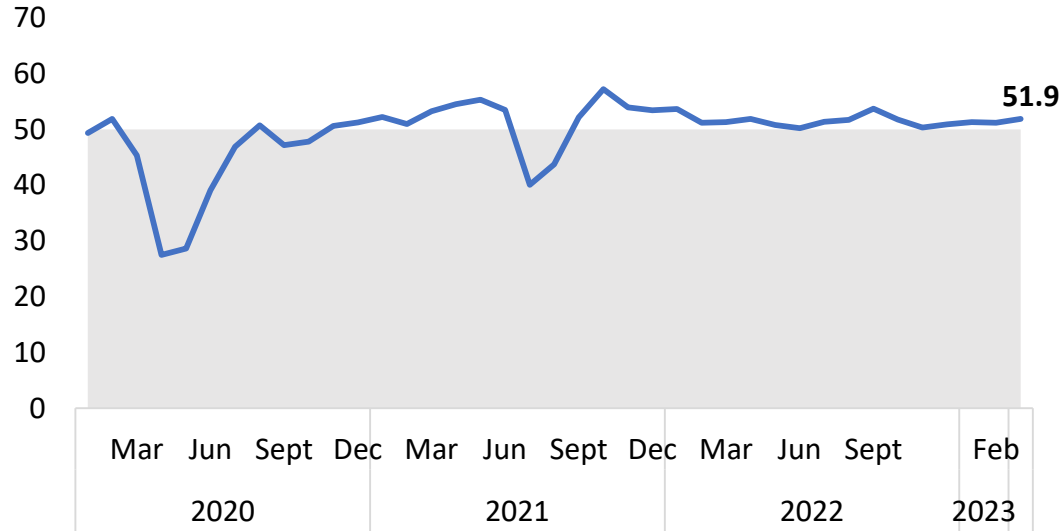


- In March 2023, exports were recorded at USD23.50 billion, contracted by 11.3% (yoy).
- Imports were recorded at USD20.59 billion, decreased by 6.2% (yoy).
- Trade balance (surplus in March 2023 amounted to USD2.91 billion).

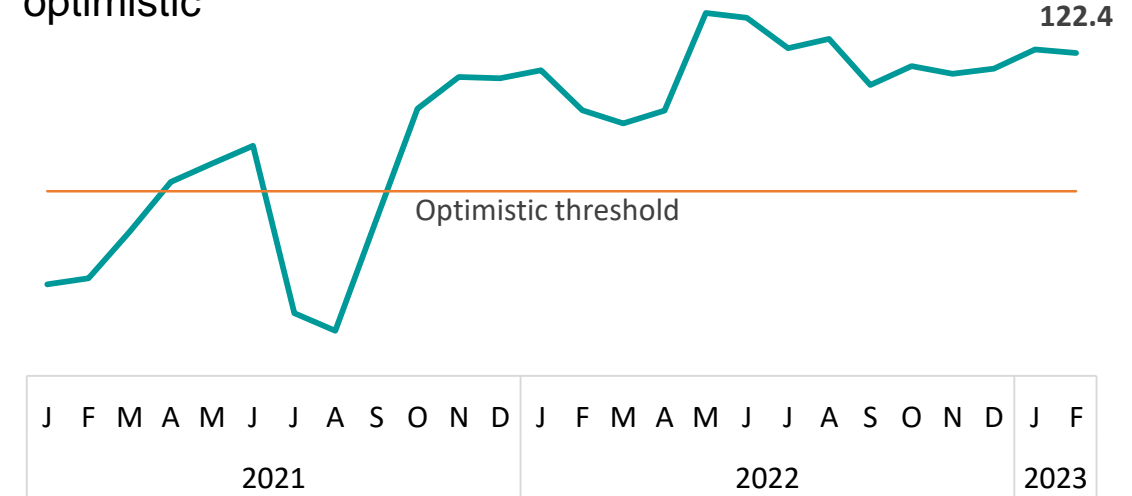


NEAR-TERM PROSPECT REMAINS PROMISING

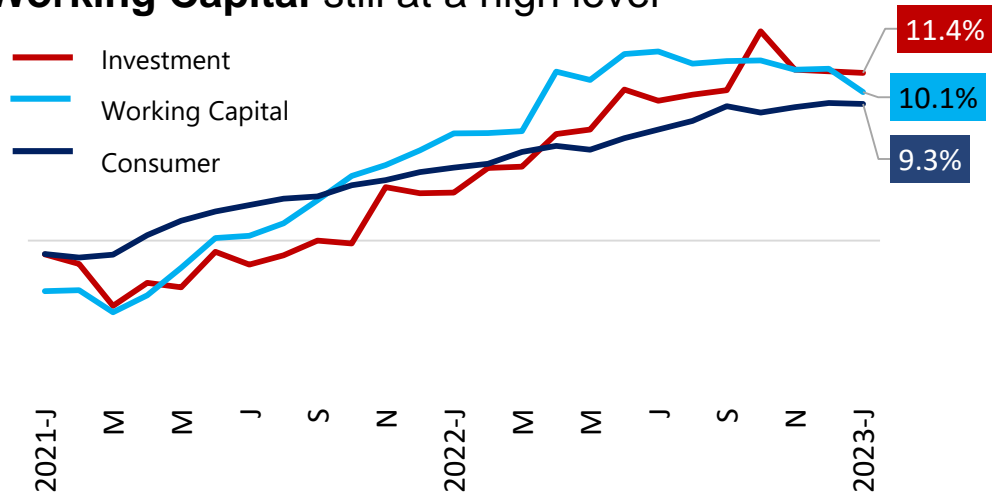
Indonesia's PMI Manufacture has been in the expansive zone for 19 months in a row



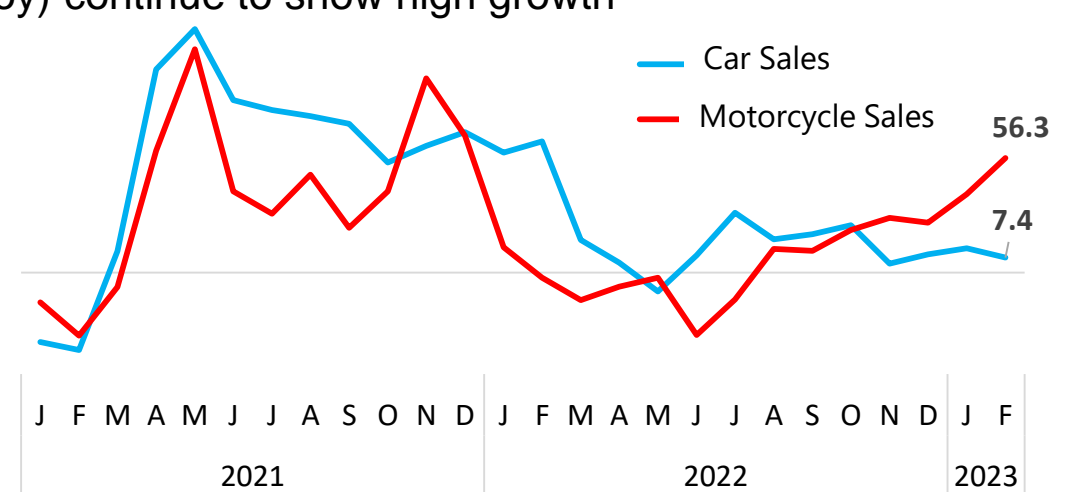
Consumer Confidence Index stable at a high level, indicating economic confidence going forward that is still optimistic



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

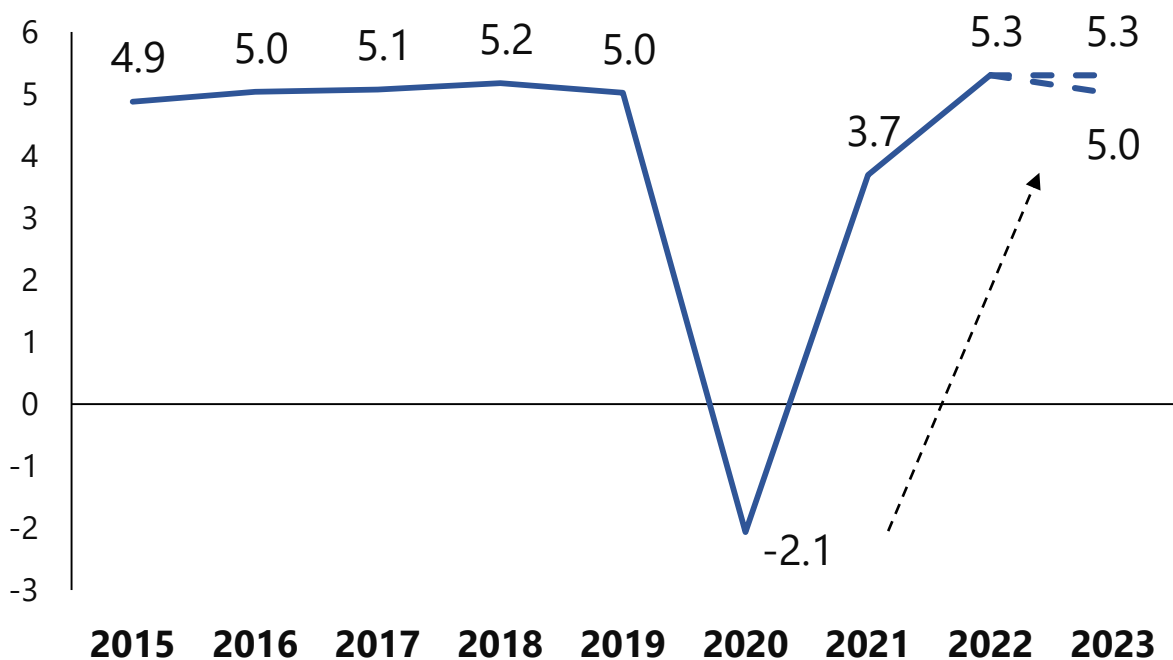




ROBUST NATIONAL ECONOMIC RECOVERY BECOMES A SOLID FOOTING AMID INCREASED GLOBAL RISKS IN 2023

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-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



04



FISCAL POLICIES & BRIEF OUTTURN

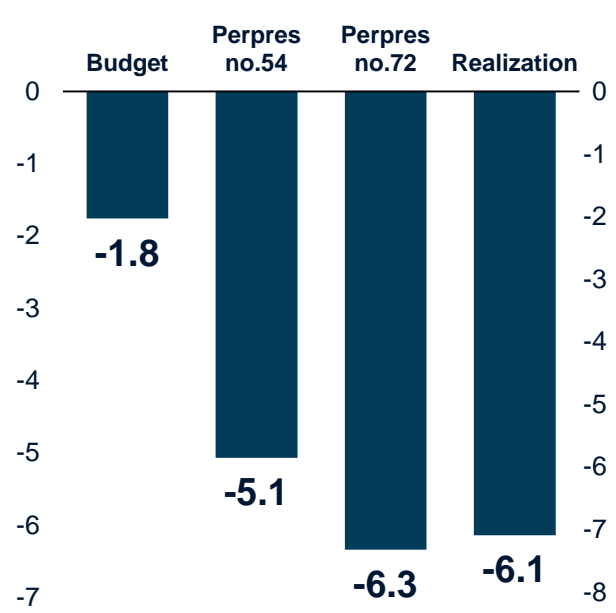


FISCAL POLICY HAS BEEN QUITE FLEXIBLE AND RESPONSIVE IN RESPONSE TO THE PANDEMIC CRISIS

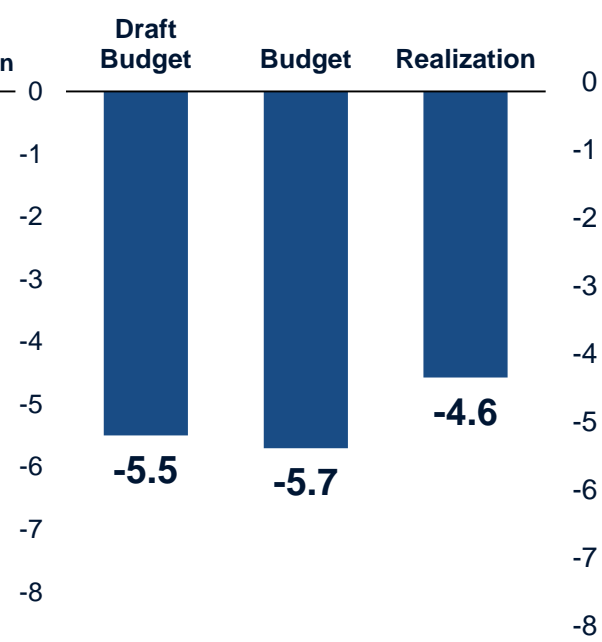
Covid-19 measures, accelerating recovery, and supporting reforms

2020 Extraordinary Policy	2021 Pandemic Handling & Recovery	2022 Accelerate Recovery & Reform Policy	2023 High Quality Fiscal Consolidation
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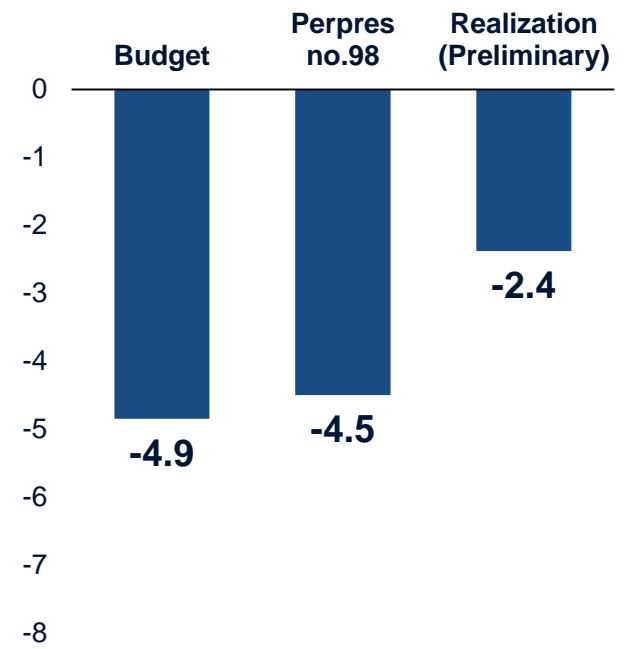
Budget Deficit 2020 (% GDP)



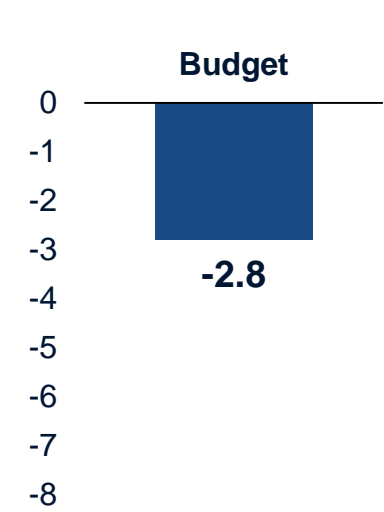
Budget Deficit 2021



Budget Deficit 2022



Budget Deficit 2023



PEN Program (IDR T)



Law No.1/2020 → Law No.2/2020

Momentum of reform (Tax Reform, Financial Relations between the Central and Regional Governments)

Strengthening fiscal performance along with economic recovery

Returns a maximum deficit of 3% of GDP



STRONG BUDGET PERFORMANCE IN 2022

Fiscal deficit recorded at 2.38% of GDP, faster fiscal consolidation under 3% of GDP in 2023

Account (IDRtn)	2019	2020	2021		2022				
			Audited	Growth (%)	Budget	Revised Budget	Realization (Preliminary)	% to Revised Budget	Growth (%)
A. Revenue	1,960.6	1,647.8	2,011.3	22.1	1,846.1	2,266.2	2,626.4	115.9	30.6
I. Tax Revenue	1,546.1	1,285.1	1,547.8	20.4	1,510.0	1,784.0	2,034.5	114.0	31.4
1. Tax	1,332.7	1,072.1	1,278.6	19.3	1,265.0	1,485.0	1,716.8	115.6	34.3
2. Custom & Excise	213.5	213.0	269.2	26.4	245.0	299.0	317.8	106.3	18.0
II. Non-Tax Revenue	409.0	343.8	458.5	33.4	335.6	481.6	588.3	122.2	28.3
B. Expenditure	2,309.3	2,595.5	2,786.4	7.4	2,714.2	3,106.4	3,090.8	99.5	10.9
I. Central Government	1,496.3	1,833.0	2,000.7	9.1	1,944.5	2,301.6	2,274.5	98.8	13.7
II. Regional Transfer & Village Funds	813.0	762.5	785.7	3.0	769.6	804.8	816.2	101.4	3.9
C. Primary Balance	(73.1)	(633.6)	(431.6)	(31.9)	(462.2)	(434.4)	(78.0)	18.0	(81.9)
D. Surplus (Deficit)	(348.7)	(947.7)	(775.1)	(18.2)	(868.0)	(840.2)	(464.3)	55.3	(40.1)
% to GDP	(2.20)	(6.14)	(4.57)		(4.85)	(4.50)	(2.38)		
E. Financing	402.1	1,193.2	871.7	(27.0)	868.0	840.2	583.5	69.5	(33.1)

The **Government revenues grew significantly at 30.6%**, supported by increased economic activity, the impact of the implementation of the tax reform (HPP law), and rising commodity prices.

The **government expenditures is optimized at 99.5%**, as a shock absorber to protect the economy and support economic growth.

The **deficit and Primary Balance have fallen significantly to pre-pandemic levels** accompanied by more efficient budget financing.

Budget Function:

STABILIZATION FUNCTION:

- ✓ Inflation rate is maintained in moderate level
- ✓ Strong economic growth
- ✓ High increase of new workers (4.2 million)

DISTRIBUTIVE FUNCTION:

- ✓ Poverty rate continues a downward trend to single digits (September 2022 9.57%)
- ✓ Maintained Gini Ratio amidst Covid-19 pandemic (gini ratio: 2019:0.380 vs 2022:0.38)

ALLOCATIVE FUNCTION:

- ✓ Maintained HDI (2018:0.710 vs 2021:0.705)
- ✓ Lower stunting prevalence 2019: 27.7% vs 2021: 24.4%
- ✓ Higher Farmers' Terms of Trade (2020: 101,7 vs 2021:104.6)

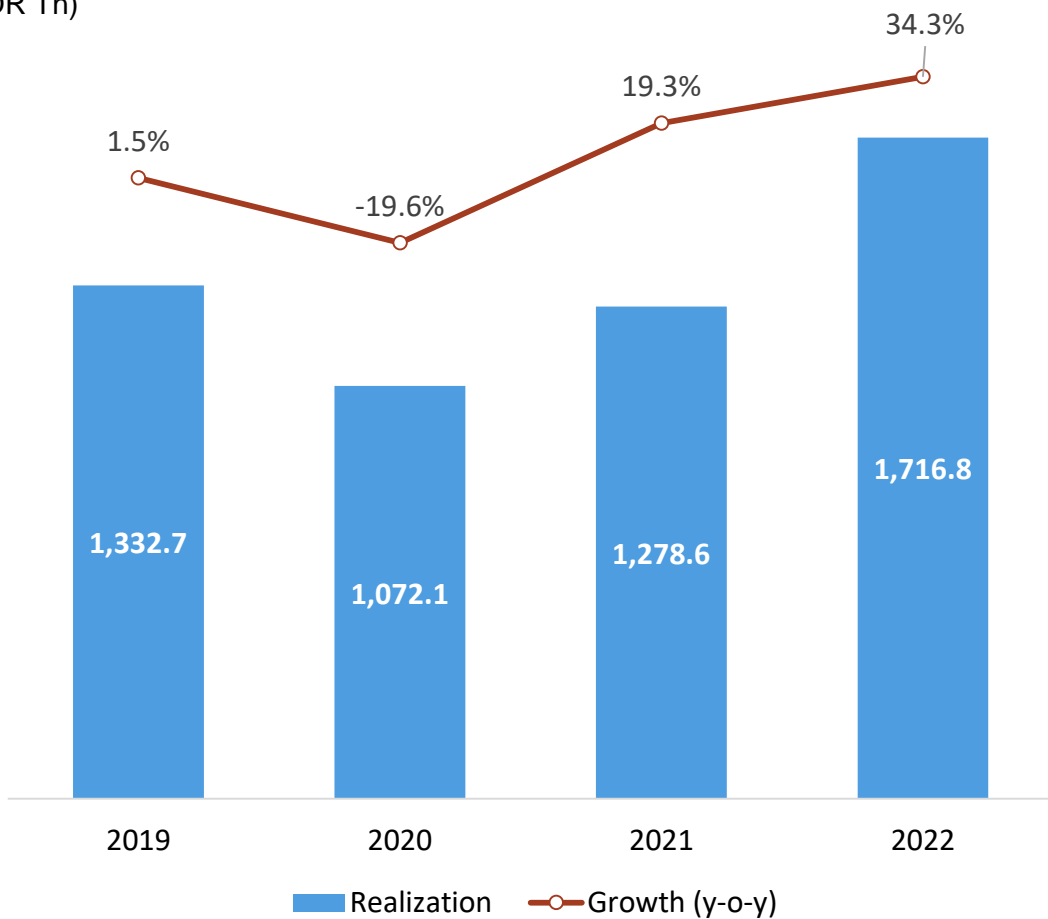


ROBUST REVENUE COLLECTION HAS BEEN BUOYED BY STRONGER ECONOMIC ACTIVITIES

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

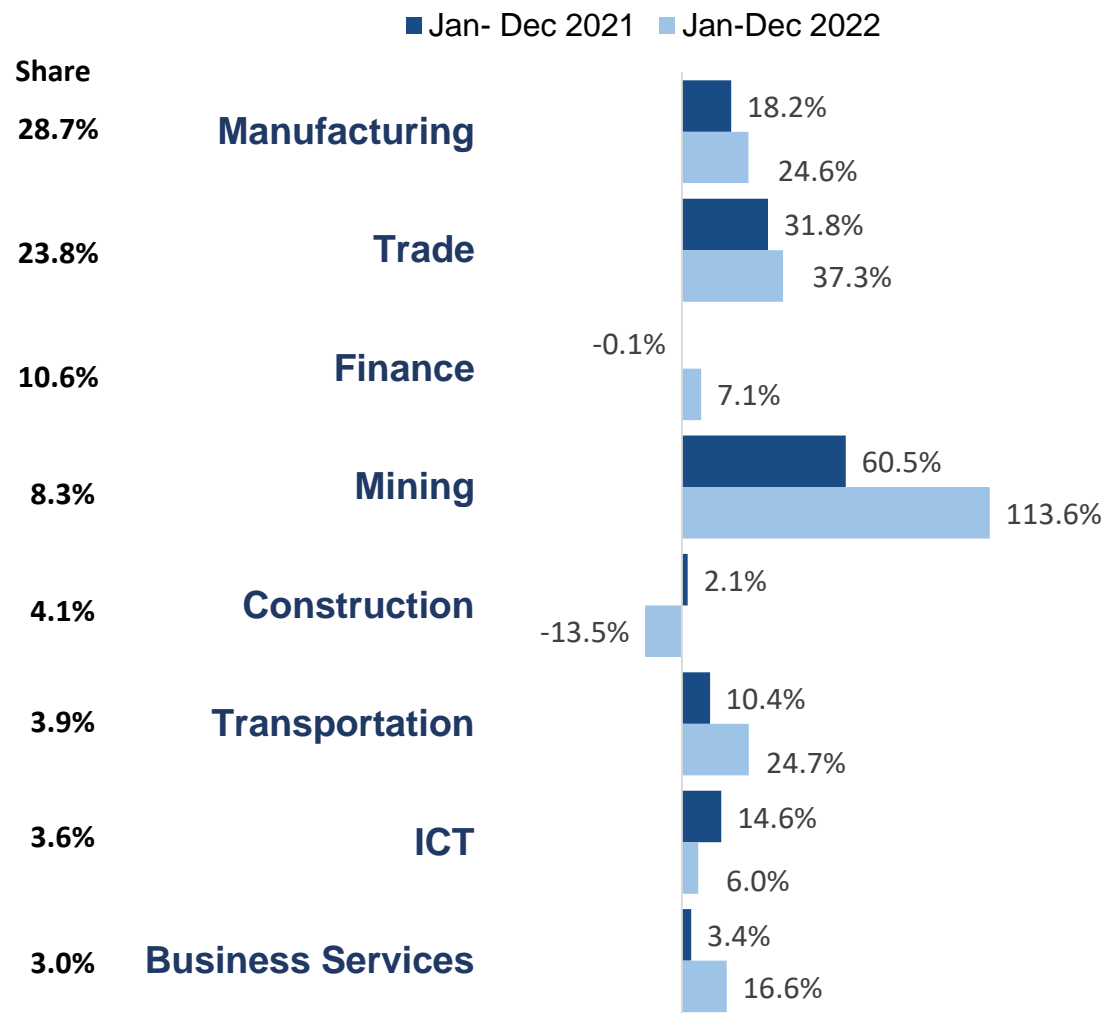
Strong Recovery in Revenue Collection

Tax Revenue for January – December
(IDR Tn)



Strong Performance In Tax Collection Across Sectors

Performance (cumulative growth y-o-y)

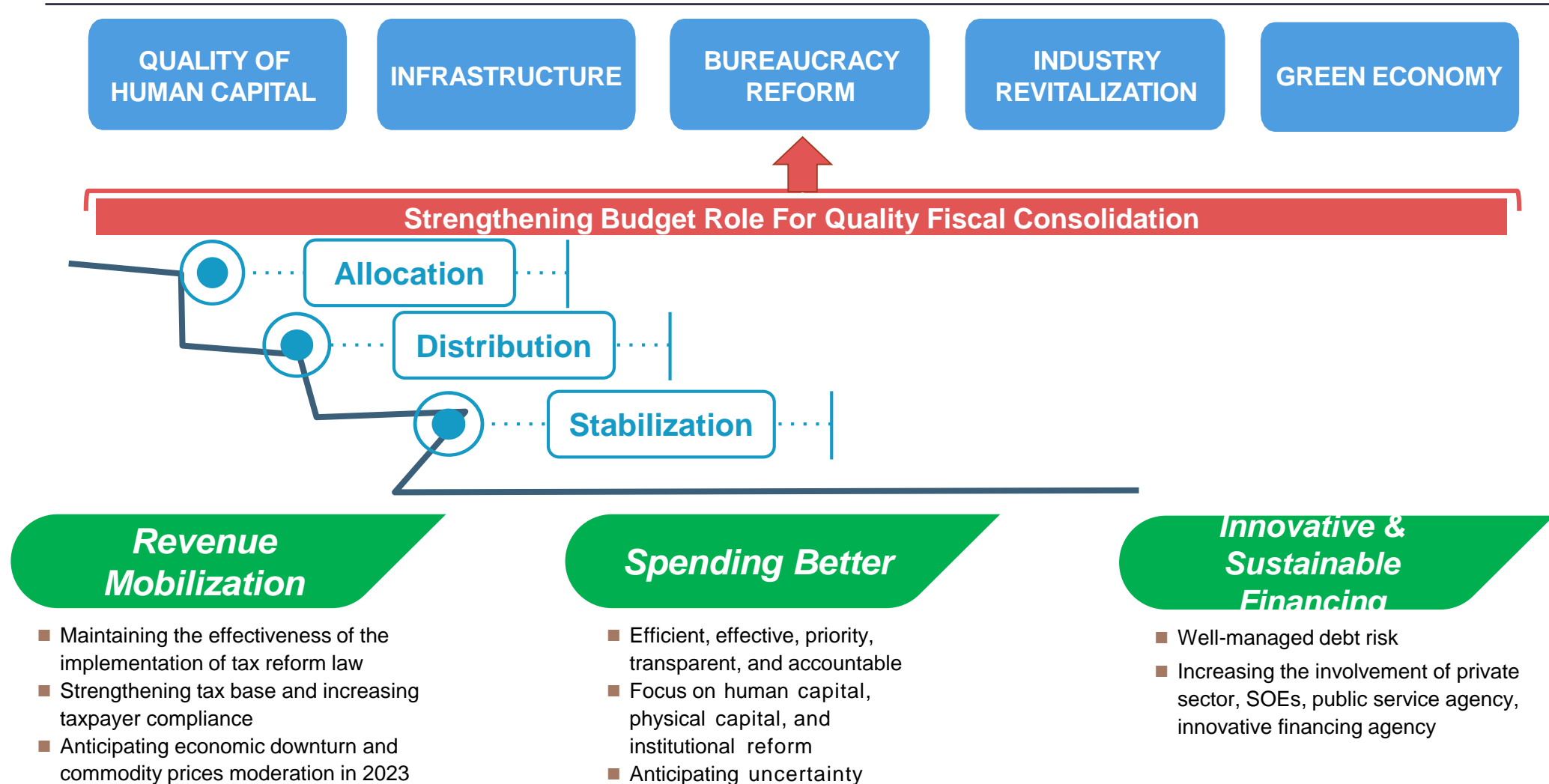




FISCAL POLICY IS FOCUSED ON SUPPORTING ECONOMIC TRANSFORMATION TO ENHANCE PRODUCTIVITY

Aiming to increase productivity for an inclusive and sustainable economic transformation

Fiscal Policy Focus In 2023





GIVEN CHALLENGING EXTERNAL ENVIRONMENT, THE 2023 BUDGET IS DESIGNED TO BE PRUDENT AND CONSERVATIVE

The budget deficit is back below 3 percent and for the first time the tax target is above IDR2,000 trillion

Account (IDRtn)	2020	2021	2022				2023	
	Audited	Audited	Budget	Perpres 98/2022	Realization (Preliminary)	Growth ¹ (%)	Budget	Growth ² (%)
Revenue	1,647.8	2,011.4	1,846.1	2,266.2	2,626.4	30.6	2,463.6	(6.2)
Tax Revenue	1,285.1	1,547.9	1,510.0	1,784.0	2,034.5	31.4	2,021.2	(0.7)
Non Tax Revenue	343.8	458.5	335.6	481.6	588.3	28.3	441.4	(25.0)
Expenditure	2,595.5	2,786.4	2,714.2	3,106.4	3,090.8	10.9	3,061.2	(1.0)
Central Government Expenditure	1,833.0	2,000.7	1,944.5	2,301.6	2,274.5	13.7	2,246.5	(1.2)
Regional Transfer & Village Funds	762.5	785.7	769.6	804.8	816.2	3.9	814.7	(0.2)
Primary Balance	(633.6)	(431.6)	(462.2)	(434.4)	(78.0)	(81.9)	(156.8)	(101.0)
Surplus (Deficit)	(947.7)	(775.1)	(868.0)	(840.8)	(464.3)	(40.1)	(598.2)	(28.8)
<i>% to GDP</i>	<i>(6.14)</i>	<i>(4.57)</i>	<i>(4.85)</i>	<i>(4.50)</i>	<i>(2.38)</i>		<i>(2.84)</i>	
Financing	1,193.3	871.7	868.0	840.2	583.5	(33.1)	598.2	2.5

Government Revenue

The government's revenue goal considers the **moderating effects of commodity prices** and the **potential non-recurrence of certain revenue sources** such as the Voluntary Disclosure Program

Government Expenditure

The government's spending priorities are geared **towards enhancing productivity and safeguarding the public**, with adequate budget support provided to preserve citizens' purchasing power through energy subsidies and compensation programs.

Government Financing

Addressing the challenges posed by **global financial market volatility**, the possibility of increased debt costs, and the implementation of the Bank Indonesia Joint Decree.



Economic Growth
5.3%



Inflation
3.6%



Exchange Rate
IDR14,800/USD



10Y T-Bonds Rate
7.9%



ICP
90 USD/Barrel



Oil Lifting
660 thousand bpd



Gas Lifting
1.1 million bpd

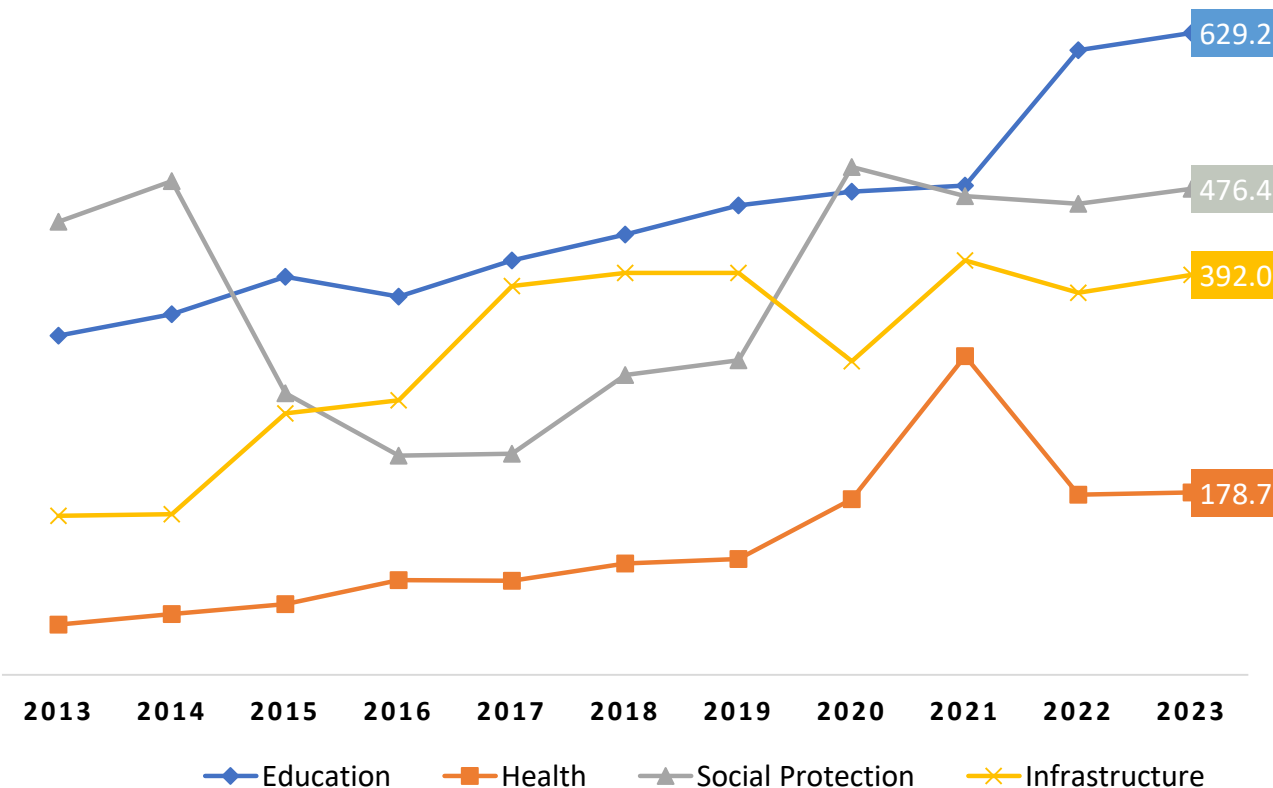


PRIORITIES SPENDING TRENDING UP TO SUPPORT STRUCTURAL REFORM

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

Budget Development on Priority Program

(in IDR Trillion)



% to total budget
(avg 2013-2023)

20%

5%

14%

14%



Education – fostering a competitive human capital

- ✓ Increase access to education by enhancing compulsory studies and extending educational opportunities to underdeveloped regions.
- ✓ Achieve a more equitable distribution of educational quality across regions.
- ✓ Revamp and revitalize the education infrastructure.
- ✓ Enhance the quality of teaching by upgrading the teaching factory model.



Social Protection – promoting more effective and efficient social protection and subsidy distribution

- ✓ Improving the data and targeting systems for social protection and subsidies.
- ✓ Empowering vulnerable populations to break free from poverty.
- ✓ Strengthening social protection for individuals of all ages.
- ✓ Enhancing adaptive social protection measures to respond to changing circumstances and needs.



Infrastructure – accelerating the implementation of basic infrastructure projects

- ✓ Achieving equitable distribution of both infrastructure and information technology access.
- ✓ Developing infrastructure that supports and drives economic transformation.
- ✓ Facilitating the integration of financing between the government and public-private partnership (PPP) initiatives.
- ✓ Providing support for the realization of key national projects.



Health – supporting health system reforms

- ✓ Prioritizing preventive measures.
- ✓ Strengthening universal health insurance and premium subsidies (PBI) for low-income populations.
- ✓ Accelerating efforts to reduce stunting prevalence.
- ✓ Enhancing the vigilance and availability of health services.

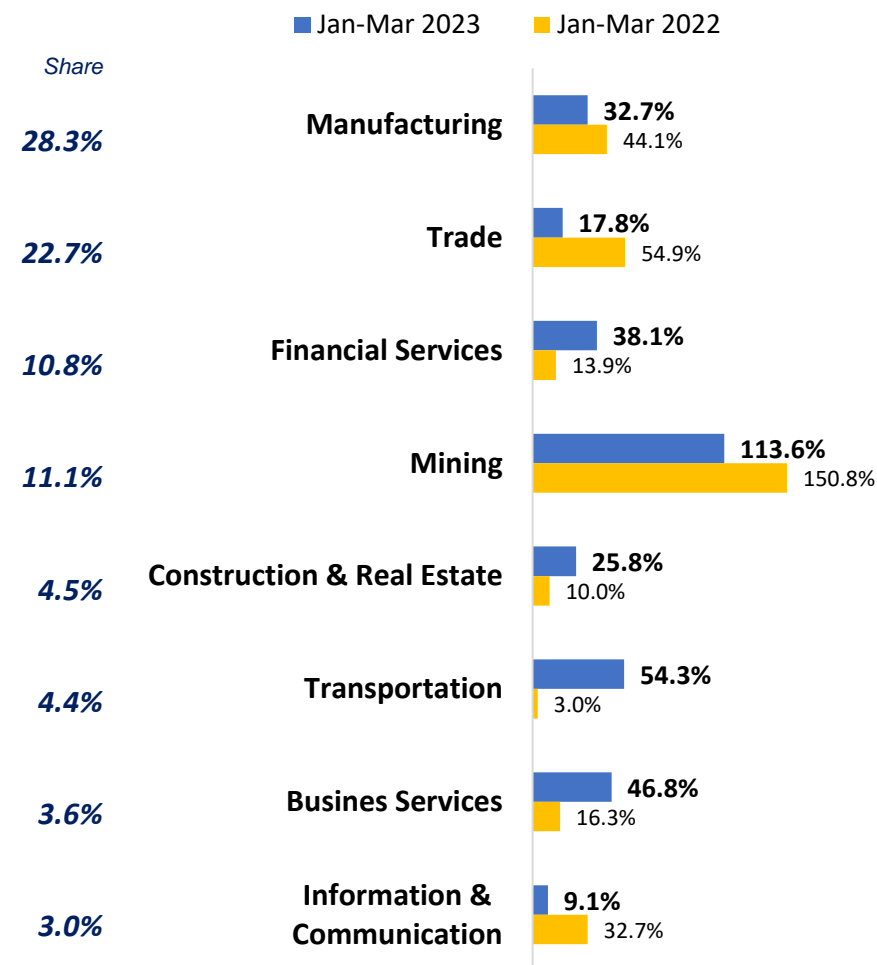


BUDGET OUTTURN UP TO MARCH 2023 SHOWED POSITIVE SIGN

Economic Activities and the HPP Law Drive Revenue Despite Commodity Price Normalization

Account (IDRtn)	2022			2023			
	Real. as of 31 March	% to Revised Budget	Growth (%)	Budget	Real. as of 31 March	% to Budget	Growth (%)
A. Revenue	501.8	22.1	32.3	2,463.0	647.2	26.3	29.0
I. Tax Revenue (DG Tax & Custom-Excise)	402.4	22.6	38.6	2,021.2	504.5	25.0	25.4
1. Tax	323.1	21.8	41.6	1,718.0	432.2	25.2	33.8
2. Custom & Excise	79.3	26.5	27.3	303.2	72.2	23.8	(8.9)
II. Non-Tax Revenue	99.2	20.6	12.0	414.4	142.7	32.3	43.7
B. Expenditure	490.7	15.8	(6.2)	3,061.2	518.7	16.9	5.7
I. Central Government	314.2	13.7	(10.2)	2,246.5	347.3	15.5	10.5
1. Line Ministries Spending	150.0	15.9	(25.6)	1,000.8	166.9	16.7	11.3
2. Non-Line Ministries	164.2	12.1	10.6	1,245.6	180.3	14.5	9.8
II. Regional Transfer & Village Funds	176.5	21.9	2.0	814.7	171.4	21.0	(2.9)
C. Primary Balance	95.5	(22.0)	246.3	(156.8)	228.8	(145.9)	139.6
D. Surplus (Deficit)	11.1	(1.3)	107.7	(598.2)	128.5	(21.5)	1,058.4
% to GDP	0.06			(2.84)	0.61		
E. Financing	139.8	16.6	(58.0)	598.2	203.7	34.1	45.8

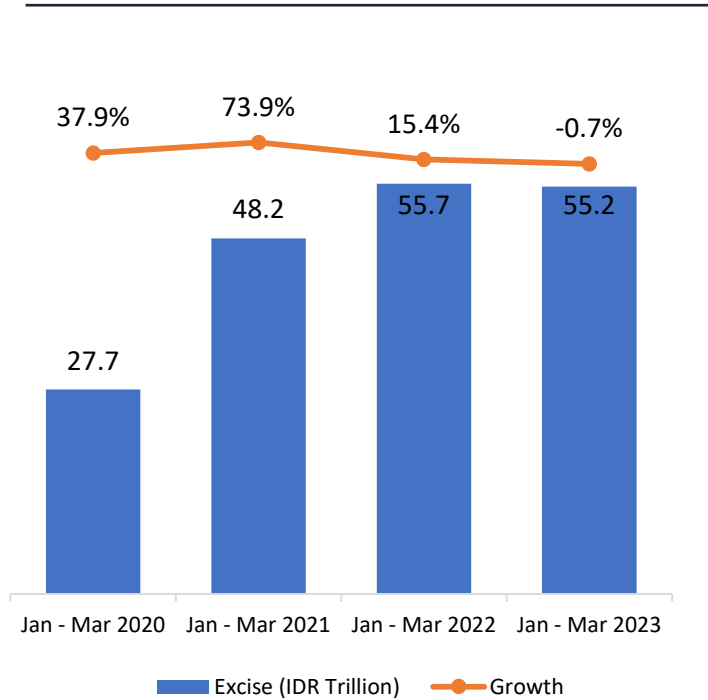
Positive Growth in Main Sector Tax Revenue (YoY)





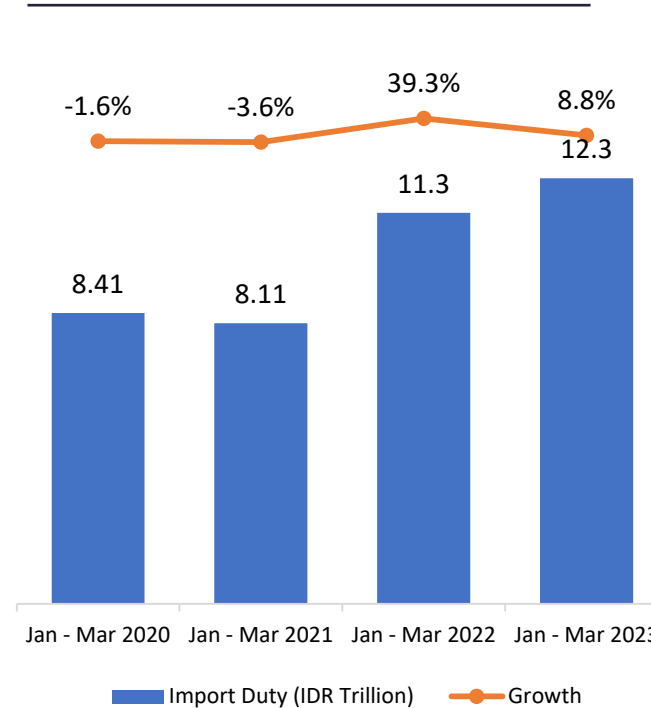
CUSTOMS AND EXCISE REVENUES ARE SLIGHTLY SLOW BUT ON-TRACK

Excise Revenue



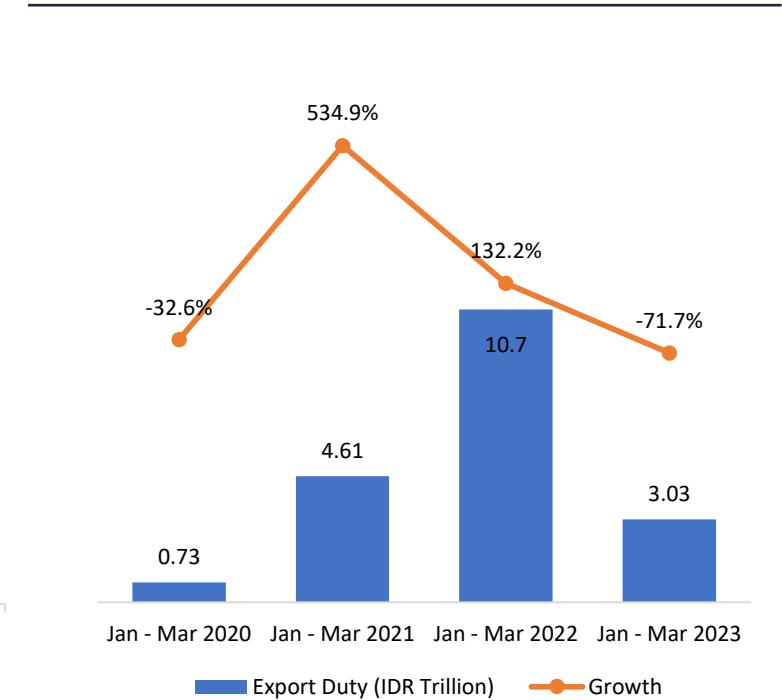
Tobacco excise tax revenue decreased slightly, due to the decline in January 2023 production

Import Duty Revenue



The growth of import duty is driven by the import of main commodities that are still increasing and the weakening of the rupiah currency

Export Duty Revenue

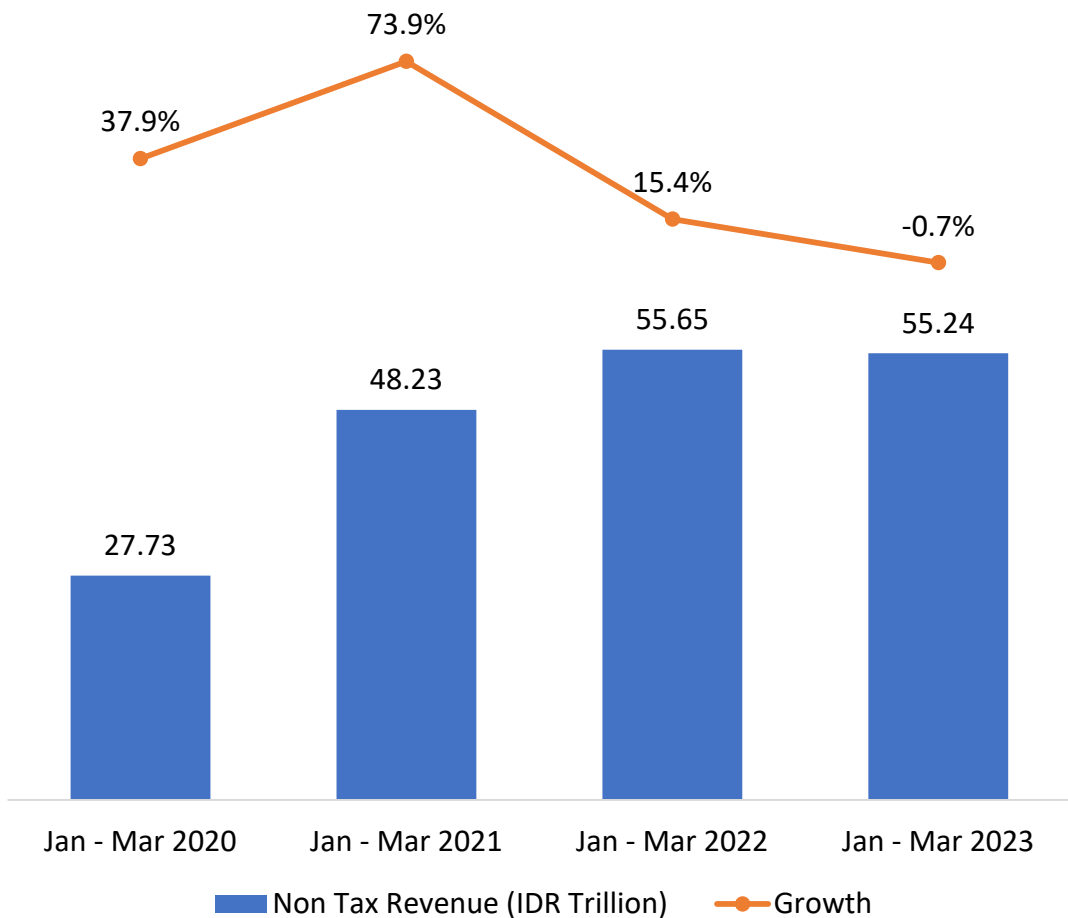


The performance of export duty is declining due to moderated prices of crude palm oil and the decrease in export volume of mineral commodities



THE REALIZATION OF NON-TAX STATE REVENUE CONTINUES TO EXPERIENCE GROWTH

Non-Tax Revenue



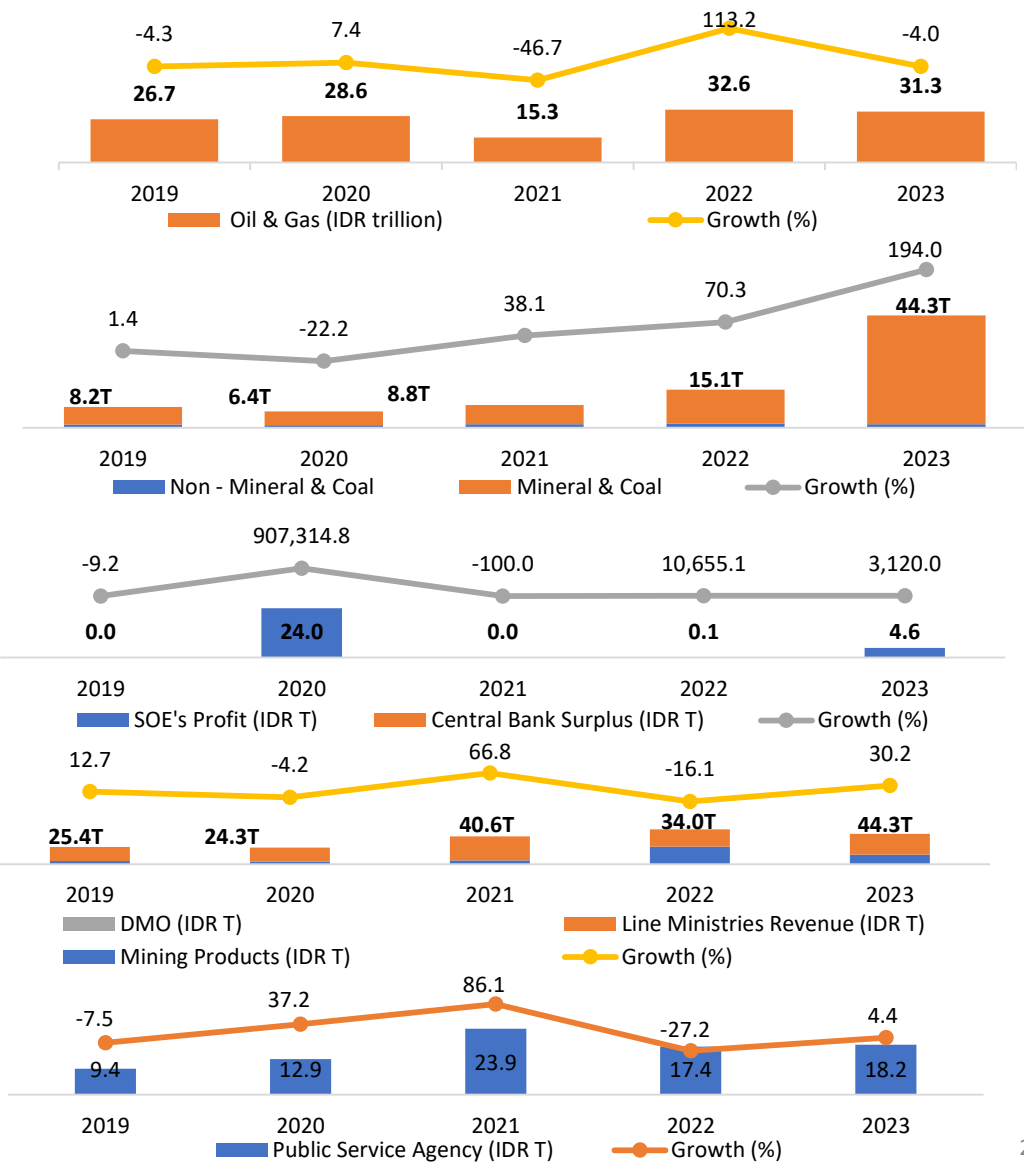
Oil & Gas Revenue

Non-Oil & Gas Revenue

SOE's Revenue

Other Non-Tax Revenues

Public Services Agency (BLU) Revenue

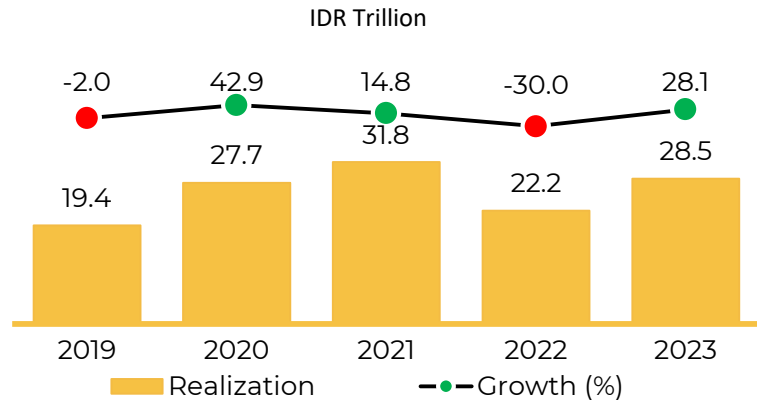


Source: Ministry of Finance, YTD 31 March 2023

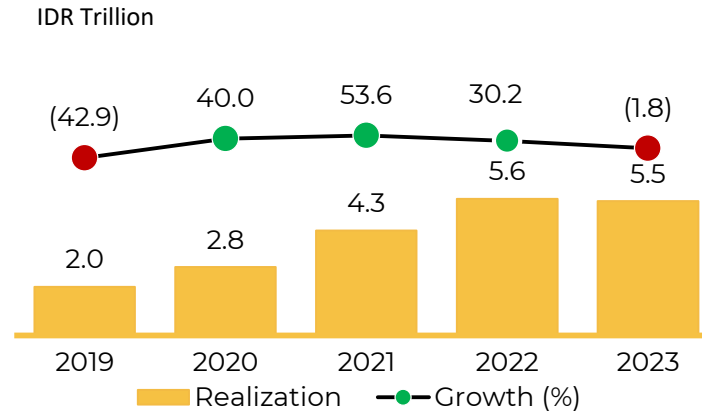


GOVERNMENT MAINTAINS FOCUS ON PRIORITY SPENDING

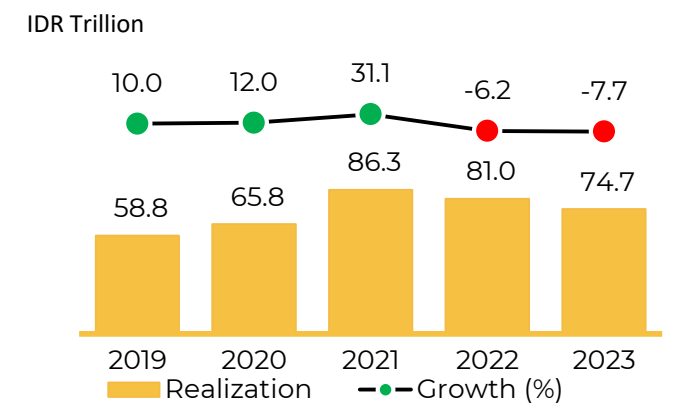
Health Spending



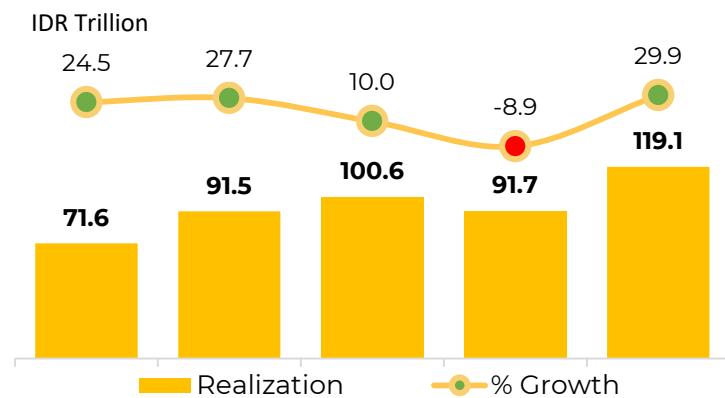
Food Security Spending



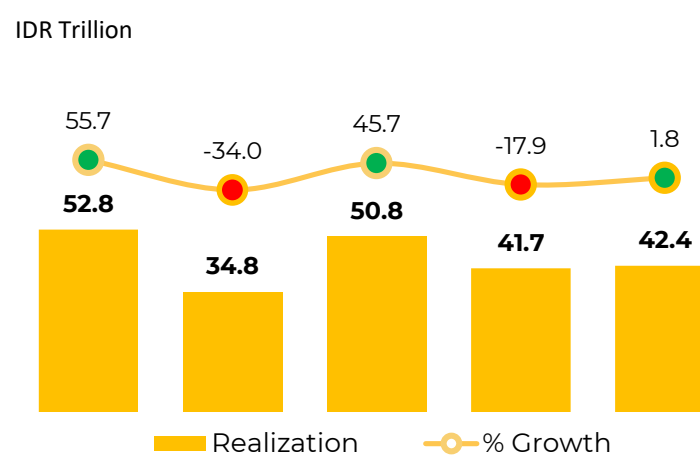
Social Protection Spending



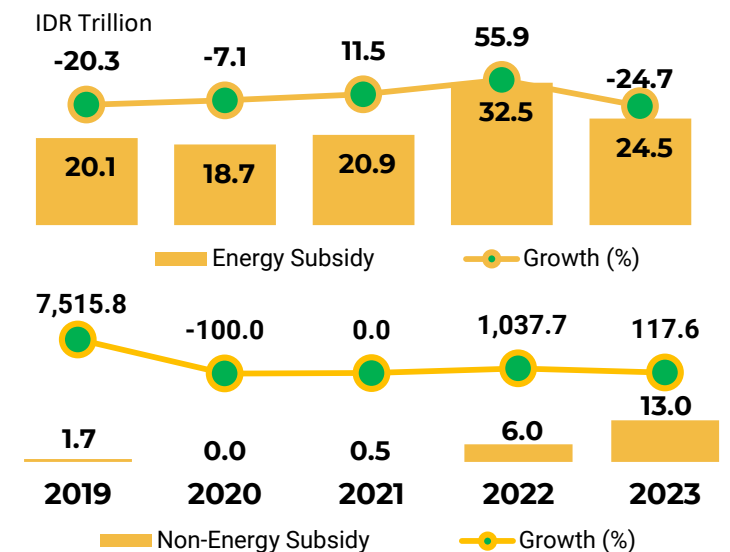
Education Spending



Infrastructure Spending



Energy Subsidy Spending

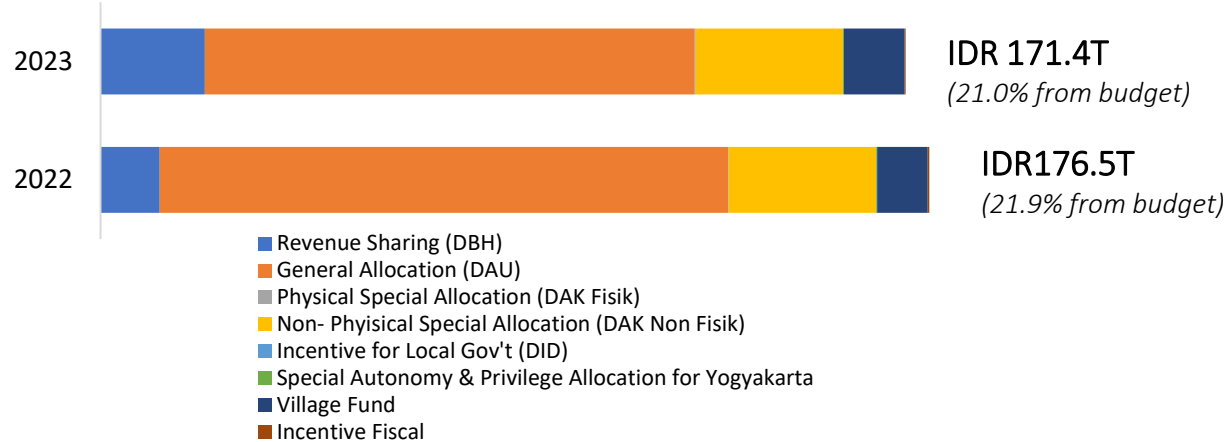




THE PERFORMANCE OF TRANSFERS TO THE REGION REQUIRES IMPROVEMENT

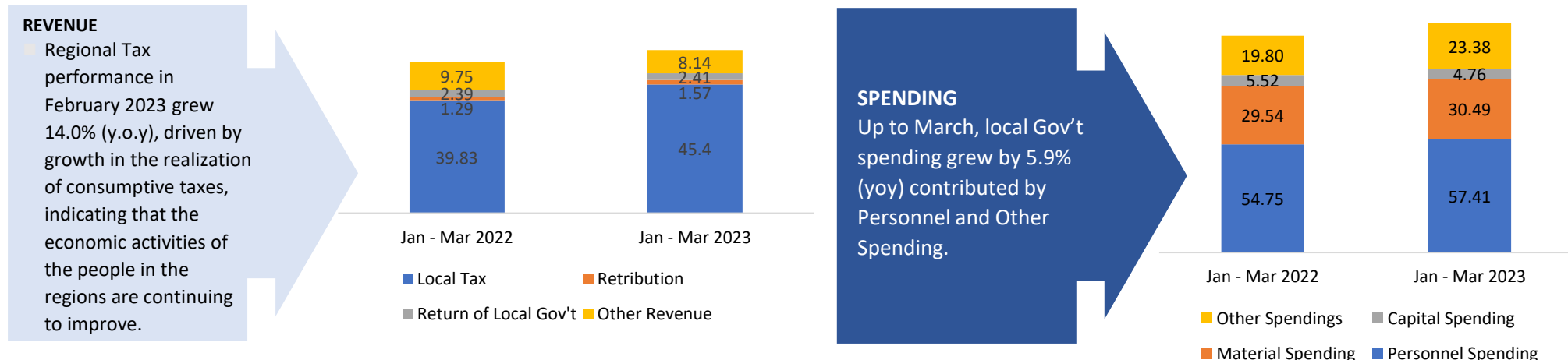
Transfer to Region Fund

(January – March)



- The distribution of transfers to regions in the Indonesian government budget decreased by 2.9% in nominal terms as of 31 March, 2023.
- The total disbursement was IDR 171.4 T (21.0%), slightly lower than the disbursement in FY 2022 of IDR 176.5 T (21.9%).

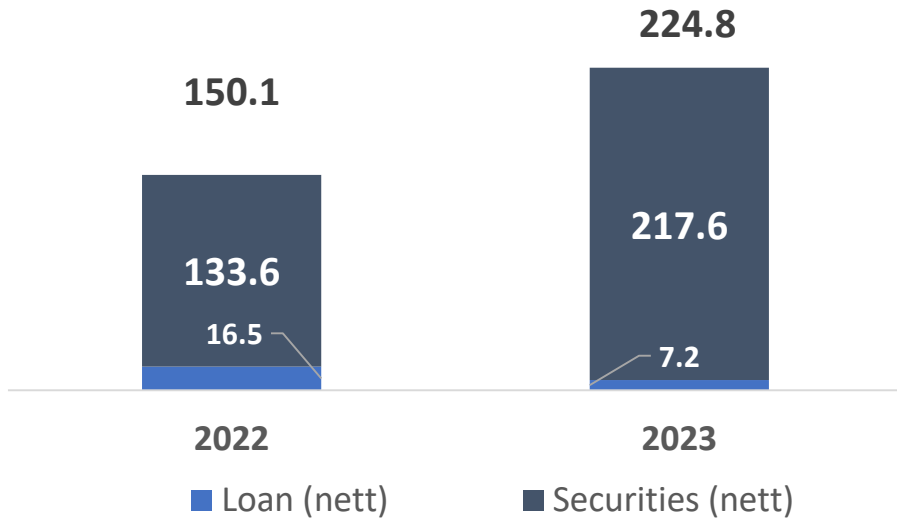
Local Government Performance





BUDGET FINANCING APPLY PRUDENT, FLEXIBLE, AND OPPORTUNISTIC PRINCIPLE

Financing Realization Up To 31 March



Domestic Loan (Nett) IDR (0.36 T)

- Domestic Loan Withdrawal (Gross) **IDR 0.11T**
- Domestic loan principal installment financing **IDR (0.47T)**

Foreign Loan (Nett) IDR 7.56 T

- Foreign Loan Withdrawal (Gross) **IDR 27.84T**
- Foreign loan principal installment financing **IDR (20.28T)**

PLAN & REALIZATION OF INVESTMENT FINANCING AS OF 31 MARCH 2023



Housing Financing Liquidity Facility
IDR 85.8T*

- IDR 6T disbursement for The Low Income People's Housing Financing
- 46,233 Housing under FLPP financing valued at IDR 5,17T



Education Fund Management Agency (LPDP)
IDR 8T*

- Total Endowment Fund as of 31 March 2023
IDR 134.11T



International Development Cooperation Fund (LDKPI)
IDR 8T*

- Financing LDKPI by IDR 2T



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**



FINANCIAL SECTOR REFORM IS THE MAIN PREREQUISITE FOR BUILDING A DYNAMIC, STRONG, INDEPENDENT, SUSTAINABLE AND JUST INDONESIAN ECONOMY

Improving financial sector for better access, affordability, and security for consumers, while ensuring stability

The Scope of Financial Sector Reforms

Enhancing the Regulatory Framework and Collaboration in the Financial Sector

KSSK

- Efficiently manage the operation and administration of the Systemic Bank as outlined in the Resolution



- Additional macroprudential authority



- Financial Services Authority (OJK) expanded duties include oversight of derivative finance, carbon exchanges, Financial Sector Technology Innovation, and digital assets, including crypto
- OJK is the sole authority for bankruptcy and suspension of payment proceedings for debtors under FSA supervision



- Indonesian Deposit Insurance Corporation (LPS) may establish an Asset Management Company
- Resolution action is determined based on factors such as cost, economic conditions, complexity, market share, handling time, investor availability, and effectiveness.

Crisis Management Tools

- BI supports Financial System Stability to support sustainable economic growth
- The government fosters economic recovery through a national program, strategic investments and guarantees, and innovative guarantee programs.
- LPS ensures the safety of government savings during economic challenges

Enhancing Banking Governance:

- Accelerating competitive consolidation in the banking industry
- Regulating digital banking and technology use
- Empowering People's Credit Bank (BPR/S) to drive regional growth and support MSMEs
- Expanding sharia banking opportunities
- Adaptive spin-off arrangements to meet industry needs

Strengthening Capital Markets:

- Expanding exchange participation for enhanced trading
- Standardizing regulation and supervision for financial instruments
- Promoting securities crowdfunding and multiple voting shares
- Facilitating carbon exchanges
- Supporting securitization through Special Purpose Vehicles
- Enhancing trust management and settlement guarantees
- Improving law enforcement and market integrity with una via & disgorgement fund

Strengthening Financial Services:

- Legal Support for Microfinance Institutions
- Improving Cooperative Functions and Oversight
- Ensuring Legal Certainty and Public Protection in the sector
- Enhancing Governance through policy guarantee programs
- Strengthening Market Conduct and Insurance
- Improving Pension Fund Arrangements
- Promoting Financial Literacy and Inclusion through inter-agency coordination
- Harmonizing law enforcement and prioritizing restorative justice,
- Protecting Consumer Confidentiality through strengthened regulations



INDUSTRIAL REVITALIZATION DRIVES PRODUCTIVITY AND COMPETITIVENESS

Restore the role of the manufacturing sector as an engine of sustainable and inclusive national economic growth

INDUSTRIAL REVITALIZATION STRATEGY



Downstream industry development

Medium term export share
Medium & Hi-tech Industry >40%

- Strengthening the independence of Pharm
- Downstream metal minerals through the construction of copper, bauxite, tin, nickel refineries
- Development of the battery, machinery & electronics industry



Manufacturing growth above national economic growth >6%



Increasing investment attractiveness

2023 investment target
IDR 1,294.1 T*
(PMA 51.1% ~ 661.3 T)

- Development of directed and measurable competitiveness (HR, infrastructure, logistics, legal)
- Implementation of technology transfer, strengthening of R&D



Strengthening the current account balance and national economic resilience from external pressures



Strengthening financial intermediation

Credit growth returned to pre pandemic

- Credit guarantee for Small and Medium Industries & strategic sectors
- KSSK integrated policy mix
- Utilization of creative financing through startup & venture capital

Massive and inclusive quality job creation (unemployment rate < 5.5%)



THANK YOU

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