



MINISTRY OF FINANCE  
REPUBLIC OF INDONESIA

# RECENT MACROECONOMIC AND FISCAL UPDATE

MINISTRY OF FINANCE  
May 2023



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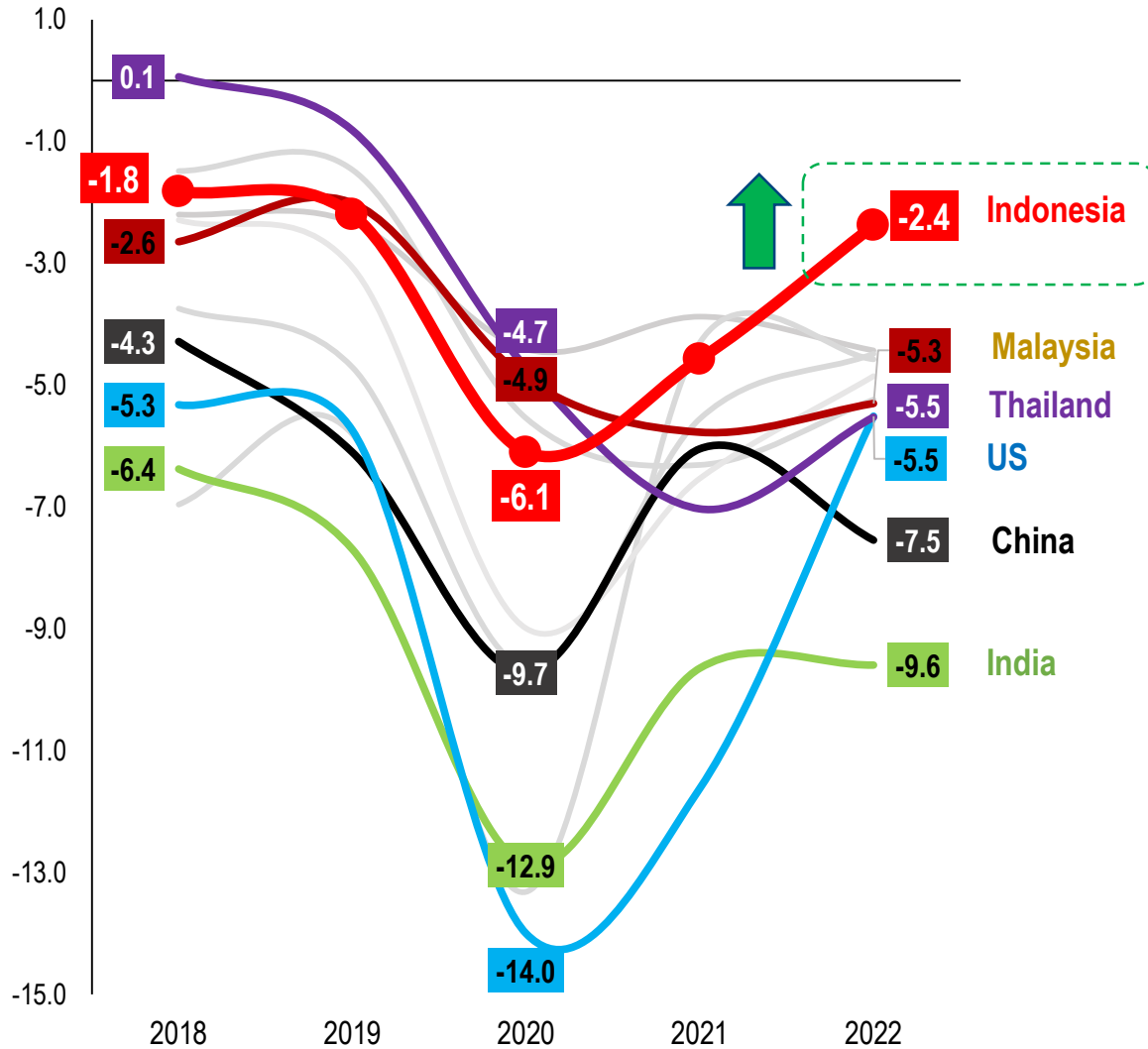
# GLOBAL UPDATE & RISKS



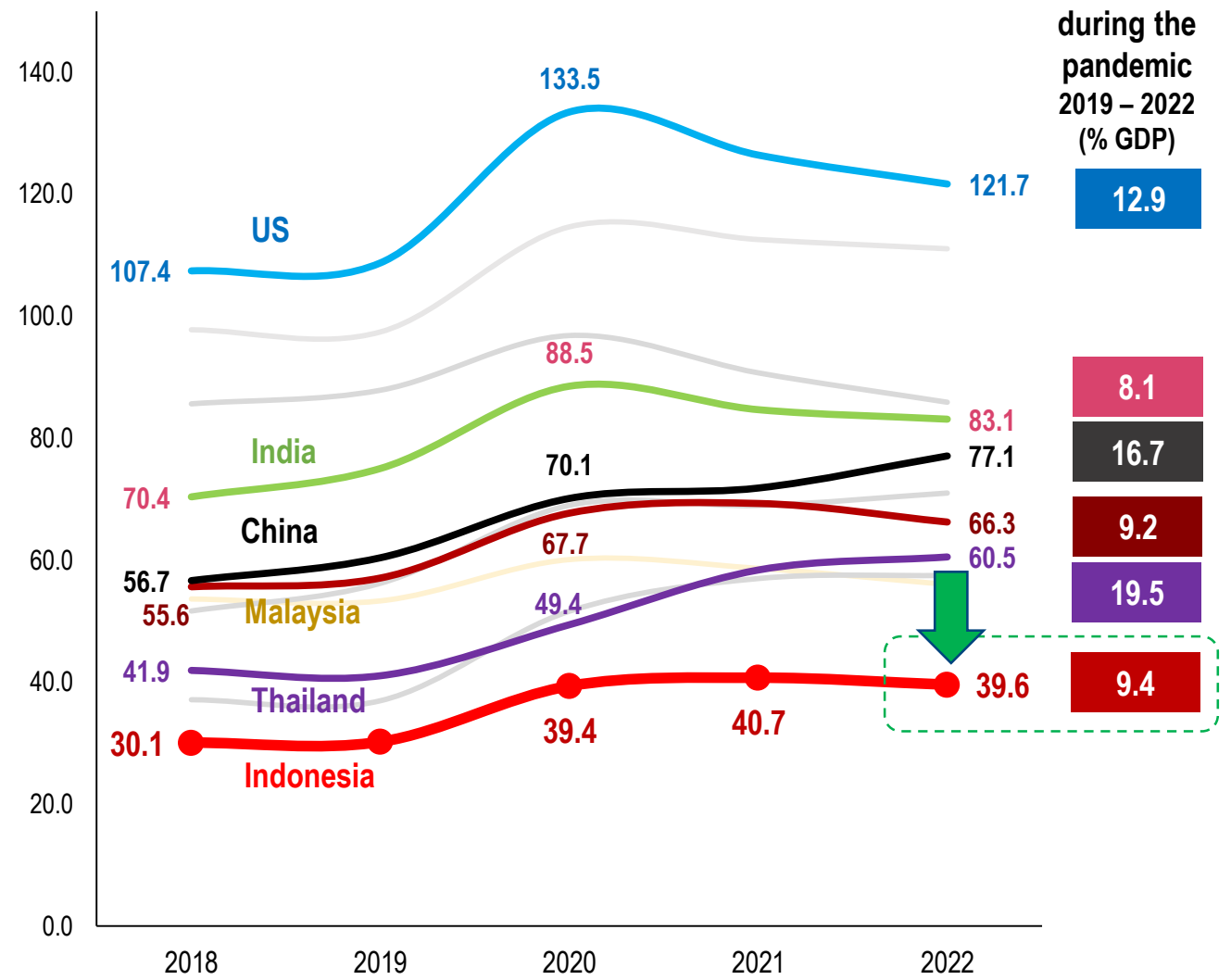
# INDONESIA'S FISCAL POLICY IS PRUDENTLY DEVISED AND WELL-EXECUTED

During the pandemic, the deficit was substantially widened, debt ratio utang increased, yet fiscal position swiftly improved

### Fiscal Deficit Before and After the Pandemic (% GDP)



### Debt Ratio Before and After the Pandemic (% GDP)



Delta of Debt during the pandemic 2019 – 2022 (% GDP)

US	12.9
India	8.1
China	16.7
China	9.2
Malaysia	19.5
Thailand	9.4

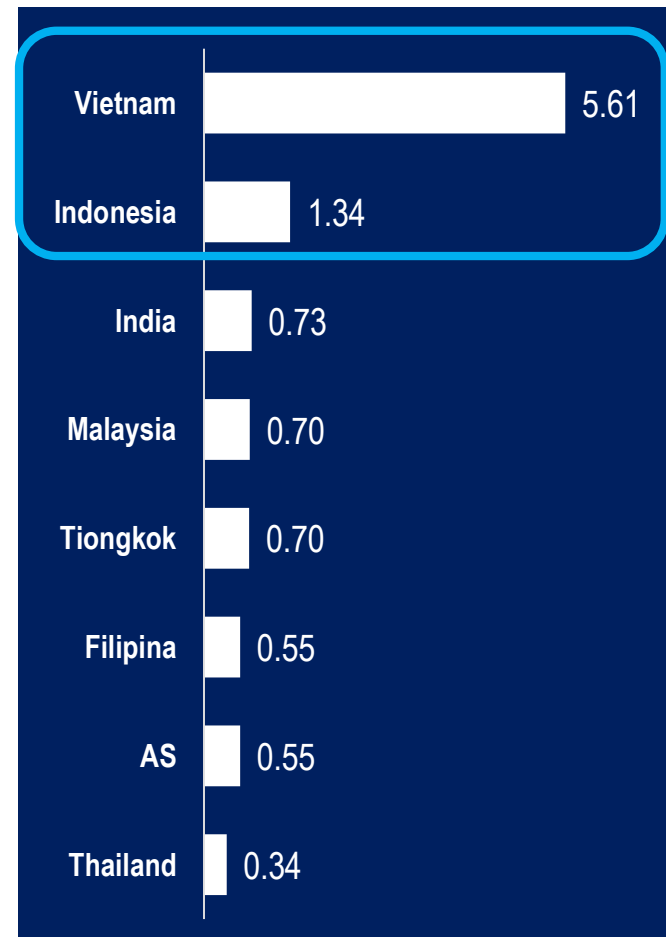
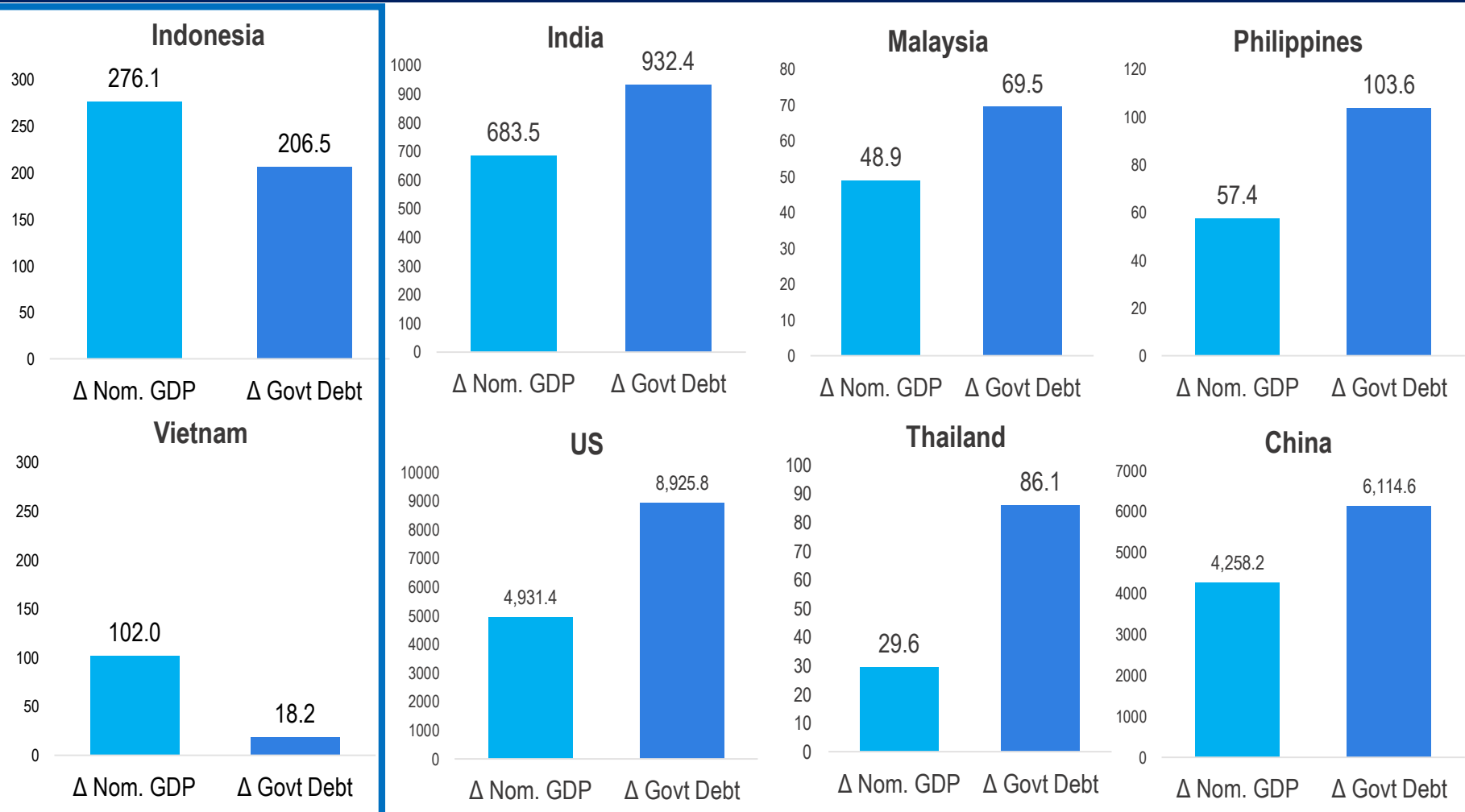


# INDONESIA'S FISCAL POLICY EFFECTIVELY SPURS ECONOMIC GROWTH, INCLUDING IN THE TIME OF PANDEMIC

Among the G20 and ASEAN countries, the increase in GDP for Indonesia and Vietnam is greater than the increase in its debt

Changes in GDP & Government Debt in G20 & ASEAN countries, 2018 – 2022 (Billion USD)

$\Delta$  GDP to  $\Delta$  Debt (2018 – 2022)





# HOWEVER, POST-PANDEMIC ERA PRESENTS HARDER CHALLENGES

## GEOPOLITICAL TENSION

Current main source of uncertainties that is likely to escalate in medium-long term.



Fragmentation, Deglobalization, War

- Supply chain disruption
- Persistently high inflation
- Poverty & unemployment
- Decreased confidence
- Declined Investment
- Sluggish Growth

### Geopolitical competition and the shift of global power

Trade war  
Re-shoring  
Friend-shoring  
Decoupling  
Chip War

**De-dollarization Trend**  
Movement of going away from USD in international transactions.

Economic competition in developed countries in climate change mitigation can add to the complexity, namely. **US Inflation Reduction Act (IRA)** dan **EU Carbon Border Adjustment Mechanism (CBAM)**.



## PANDEMIC

Its occurrence gets more frequent and causes a deep multidimensional crisis.

## CLIMATE CHANGE

Sources of threat to health, safety, economy & welfare vs. Shift towards a greener economy.



Extreme weather  
Natural disasters  
Primary sector disruption

VS



Electric vehicle



Energy Transition



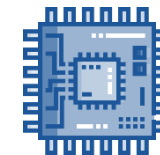
Green industry

## DIGITALIZATION

Digital technology is an important enabler, but comes with disruptive risks



AI's



Chip war



Mis- & Disinformation



Future of Work



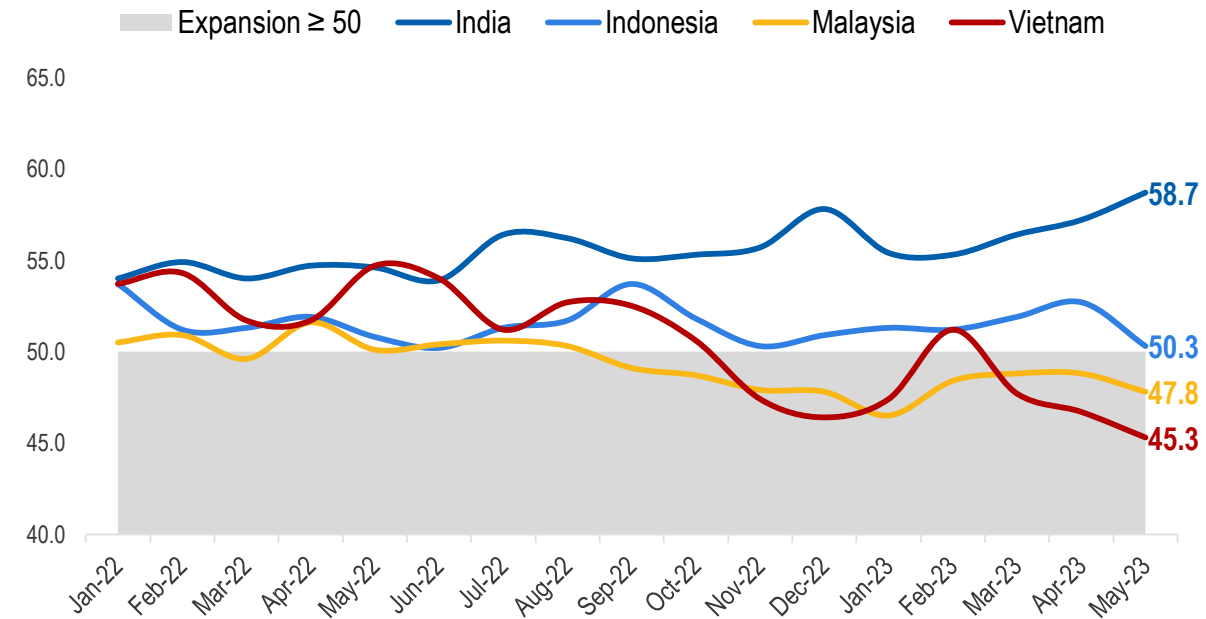
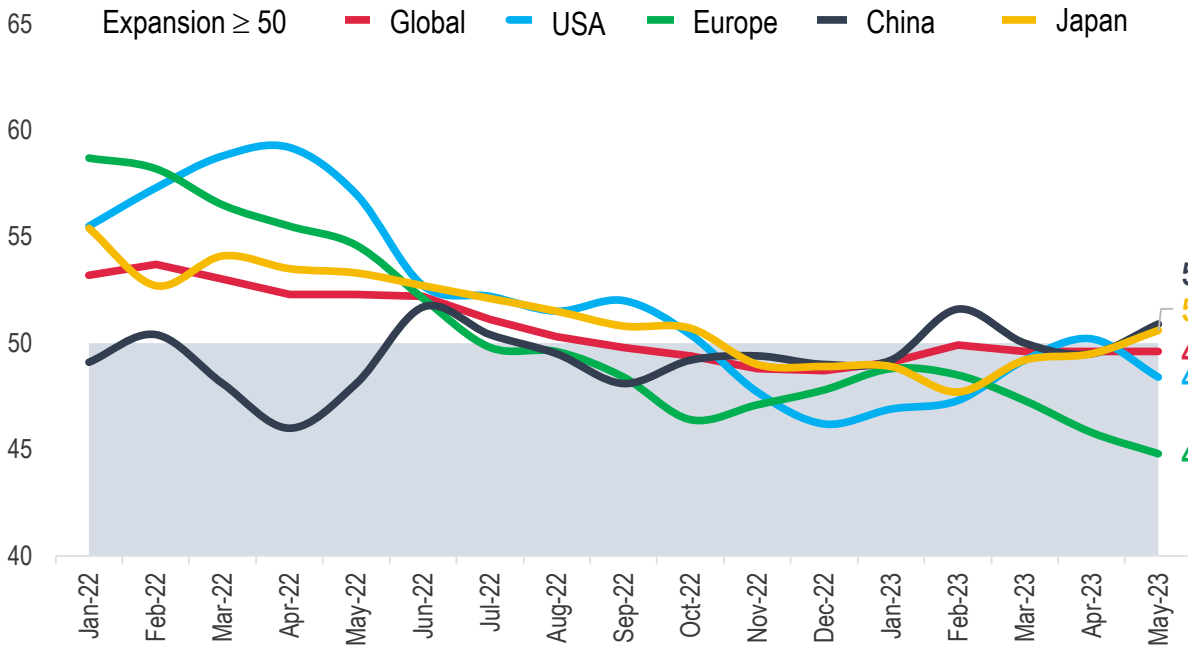
# GLOBAL MANUFACTURING ACTIVITY REMAINS CONTRACTED SINCE SEPTEMBER 2022

In the US Manufacturing PMI slips back to contractionary zone, while in Europe it has fallen into deeper contraction

## PMI MANUFACTURE AS OF MAY 2023

### Advanced Countries

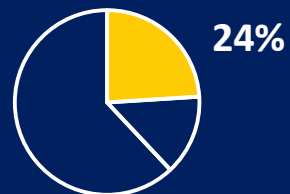
### Asian Countries



Source: Bloomberg, IHS Markit

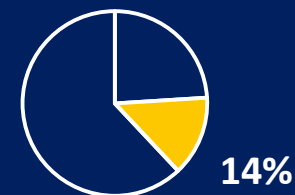
Distribution of Manufacturing PMI for May 2023 among G20 and ASEAN-6 countries (excluding Saudi Arabia and Argentina)

### Expansion – Acceleration



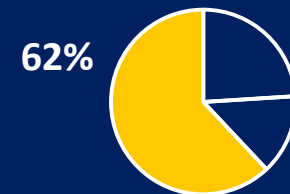
India, Philippines, Russia, Japan, China

### Expansion Slowing



Mexico, Thailand, Indonesia

### Contraction



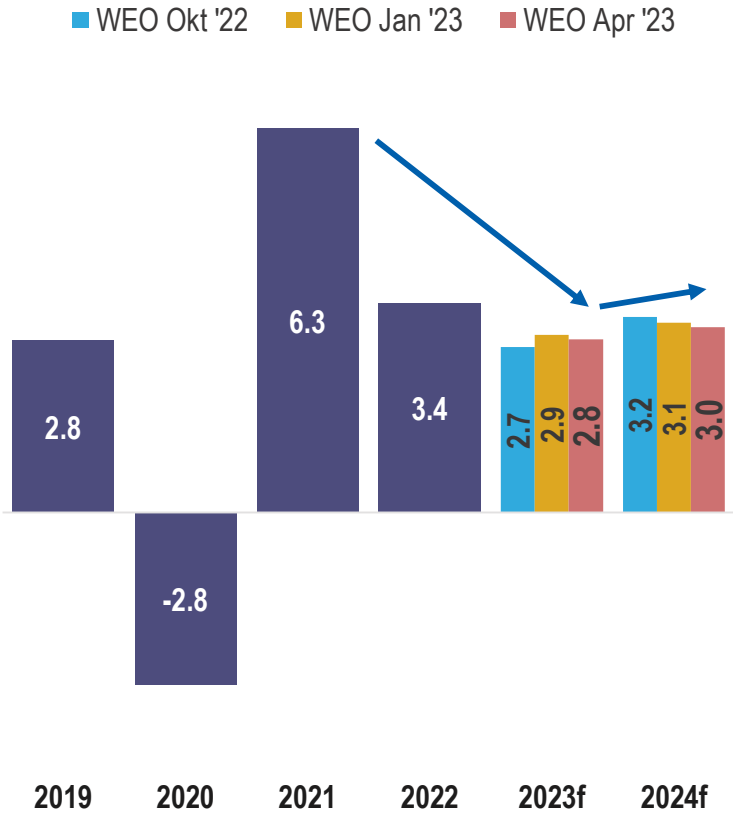
US, Canada, Brazil, Europe, Germany, French, Italia, UK, South Korea, Malaysia, Vietnam, Singapore, South Africa



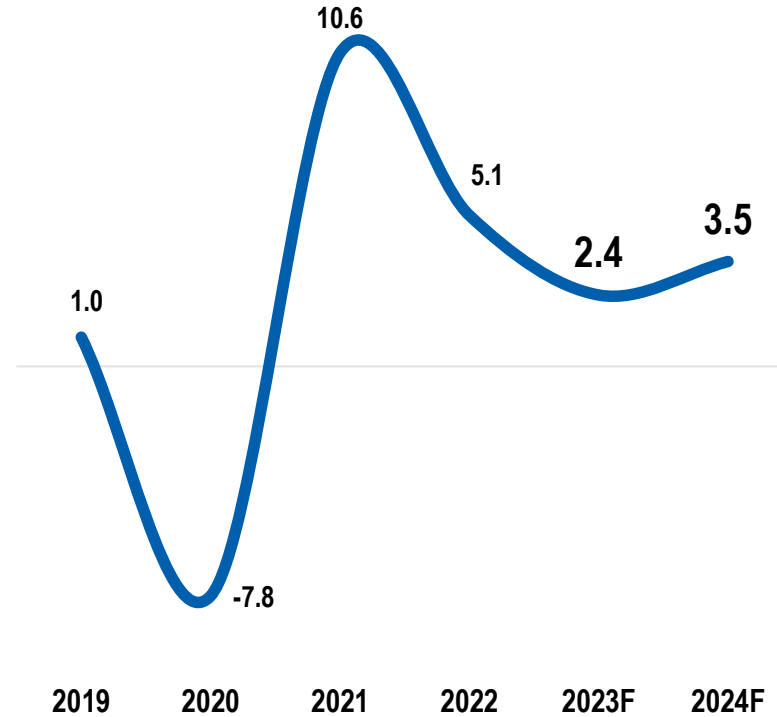


# GLOBAL ECONOMIC RECOVERY STILL FACES CHALLENGES

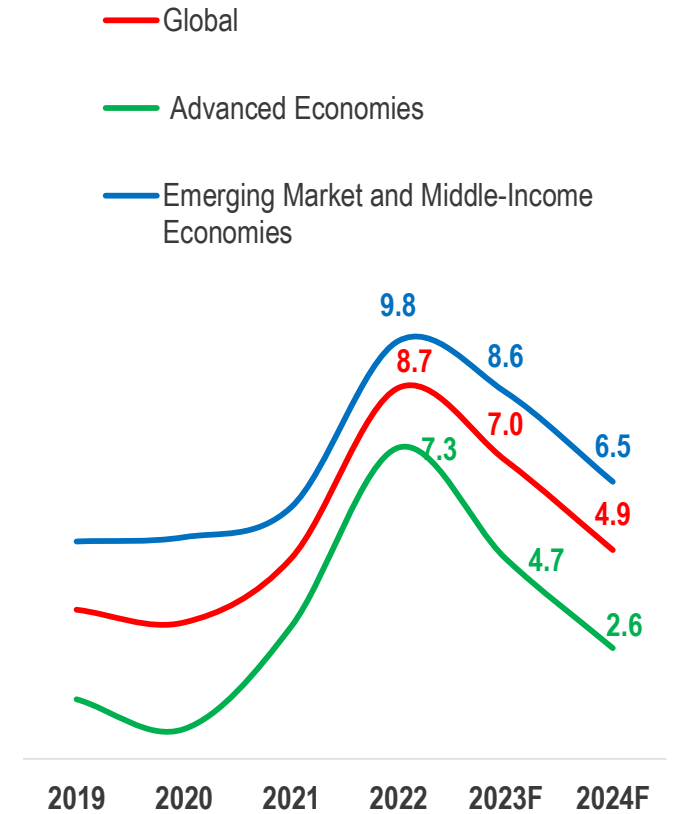
## Global Economic Growth Projections by the IMF, % yoy



## IMF's Projection of Global Trade Volume Growth, % yoy



## Inflation Projections by the IMF, % yoy



### Downside risks remain dominant

- ✓ Escalation of war in Ukraine
- ✓ Debt distress

- ✓ Escalated war in Ukraine
- ✓ Geoeconomic fragmentation

- ✓ Persistently high inflation rate
- ✓ Interest rates higher for a longer duration

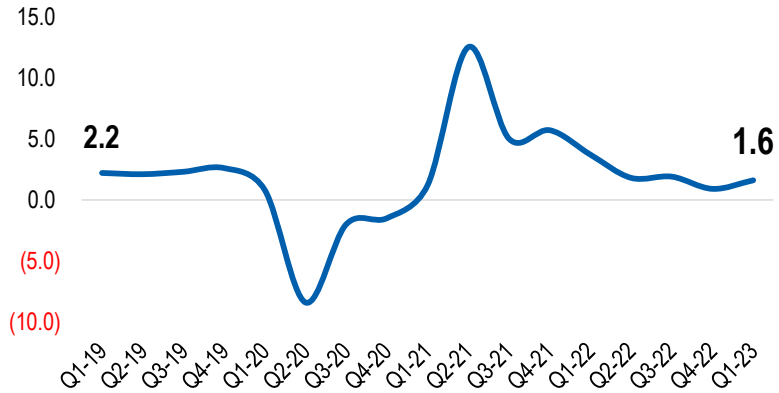


# GROWTH OUTTURN FOR Q1-2023 TEND TO BE WEAK IN MANY COUNTRIES

Economic growth are still below their pre-pandemic rate

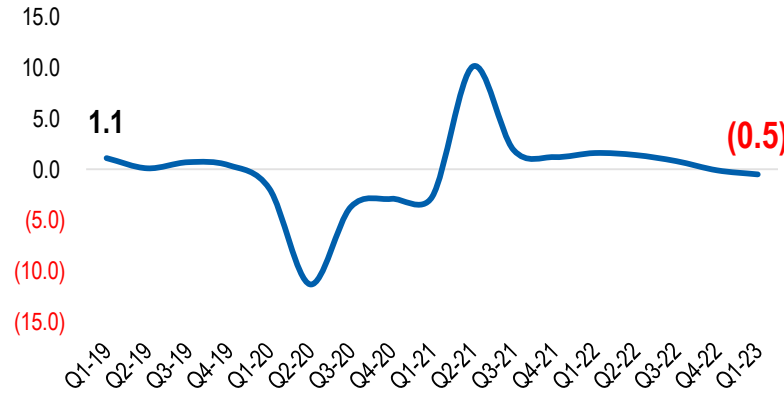
*US challenges: aggressive monetary tightening, higher interest rates for longer, banking stability, trade wars and decoupling, as well as the debt ceiling*

### US' Economic Growth (% yoy)



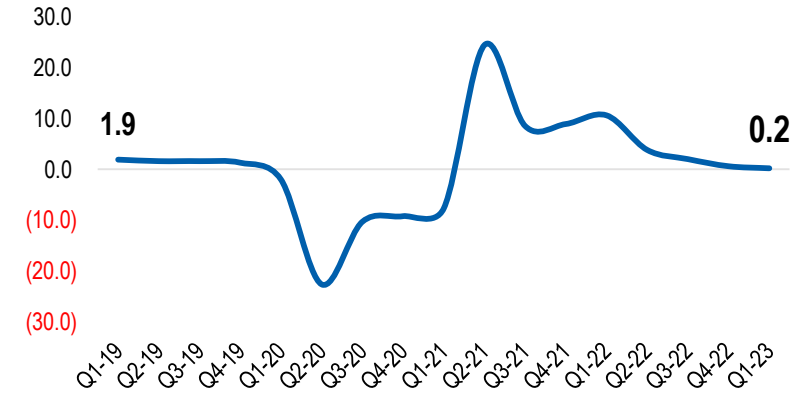
*Germany contracted in Q1-2023 because of persistently high inflation and rising cost of borrowing due to aggressive monetary tightening*

### Germany's Economic Growth (% yoy)



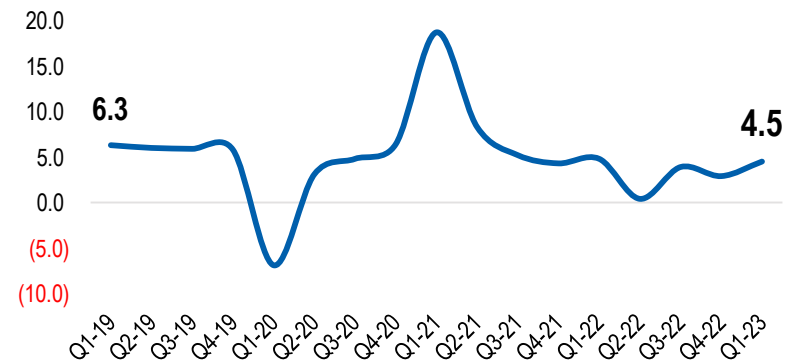
*Apart from high inflation and aggressive monetary tightening, the British economy is also facing the strikes by several professional groups such as doctors and teachers*

### UK's Economic Growth (% yoy)



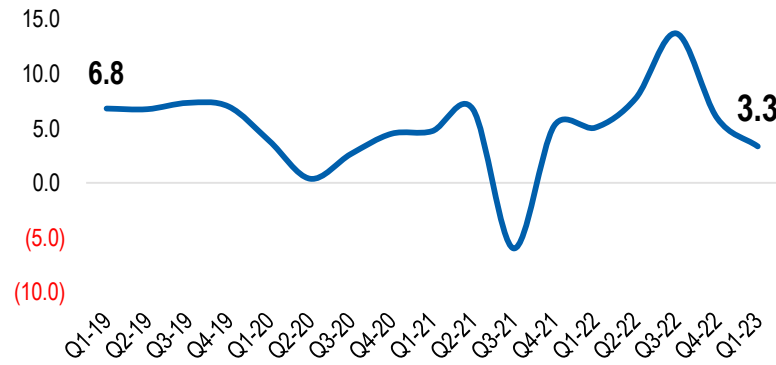
*Despite the pick-up after the reopening, China's economy is still facing challenges from the property sector crisis and geopolitical tensions*

### China's Economic Growth (% yoy)



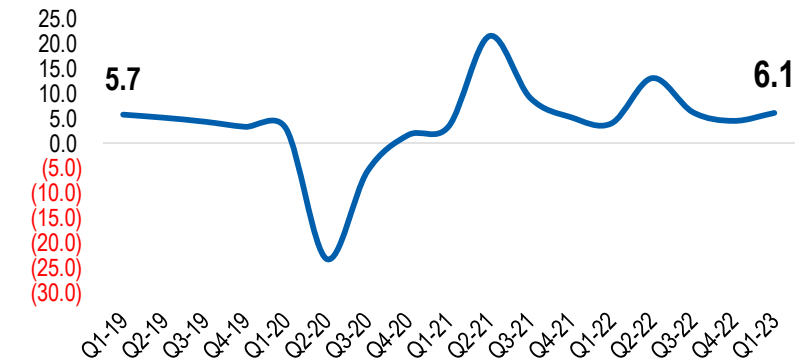
*Vietnam's slowdown was affected by the declining economic performance of major trading partners including China, the US and Europe*

### Vietnam's Economic Growth (% yoy)



*India is a bright spot for the global economy, with growth that continues to expand driven by strong domestic and export demand*

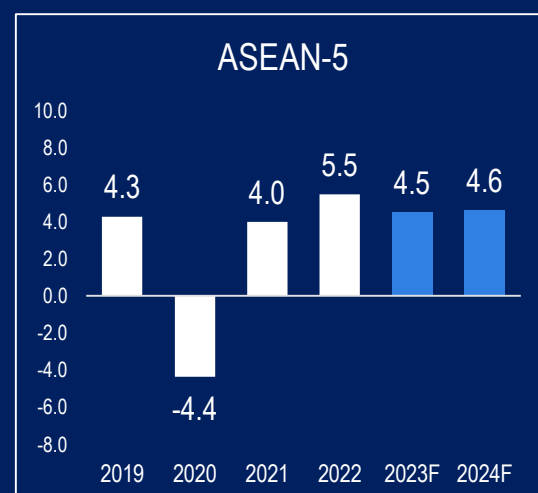
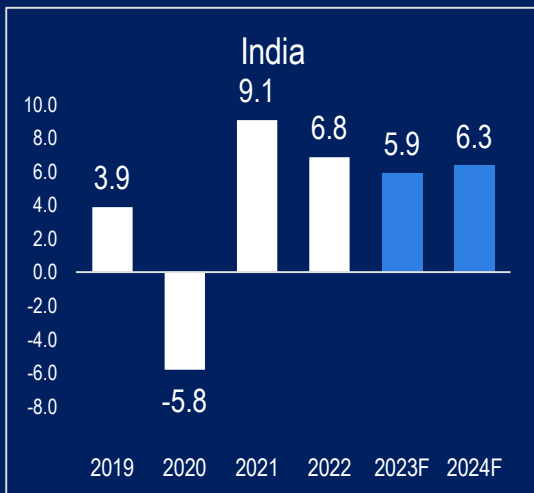
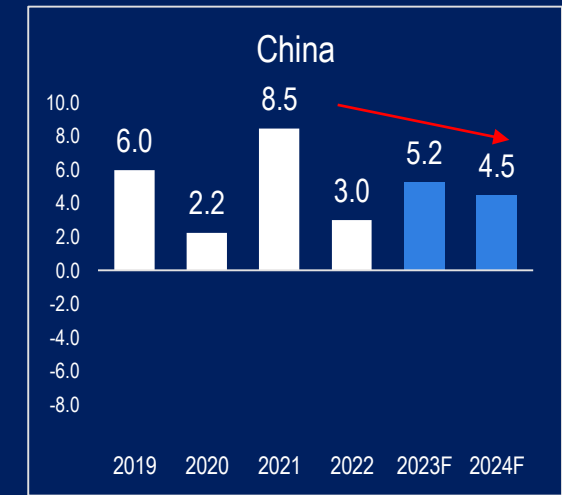
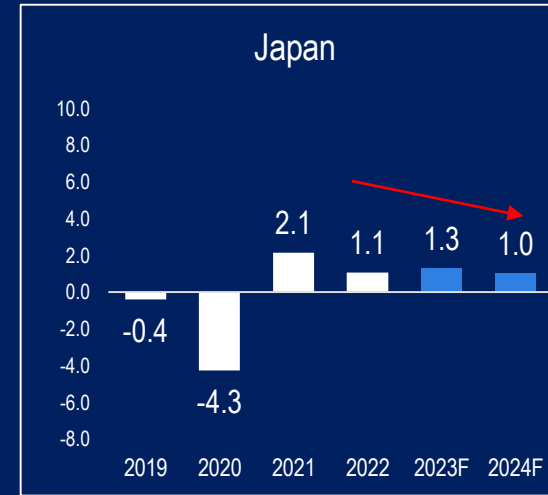
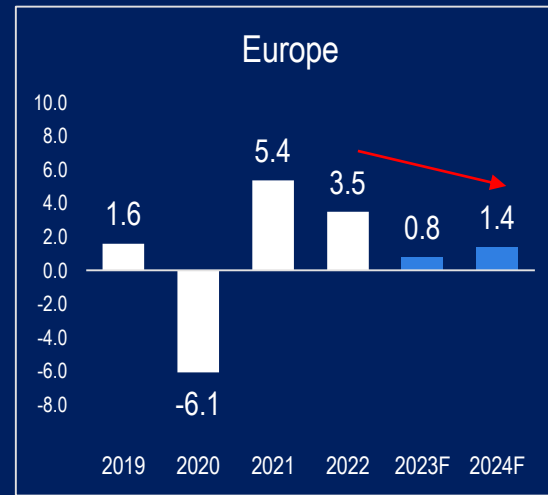
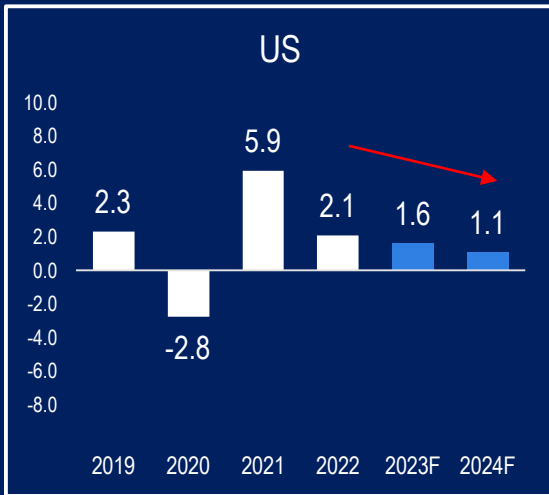
### India's Economic Growth (% yoy)





# 2024 GROWTH OUTLOOK OF INDONESIA'S MAIN TRADING PARTNERS TENDS TO POSE DOWNSIDE RISK

## GDP GROWTH OUTLOOK (% YoY)



- *Developed countries' economic growth was restrained by aggressive monetary tightening and structural issues such as an aging population.*
- *China is faced with geopolitical challenges, pressure from the property sector, and an aging population.*
- *Nonetheless, ASEAN and India have the potential to accelerate growth supported by strong domestic consumption and structural reforms.*



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02

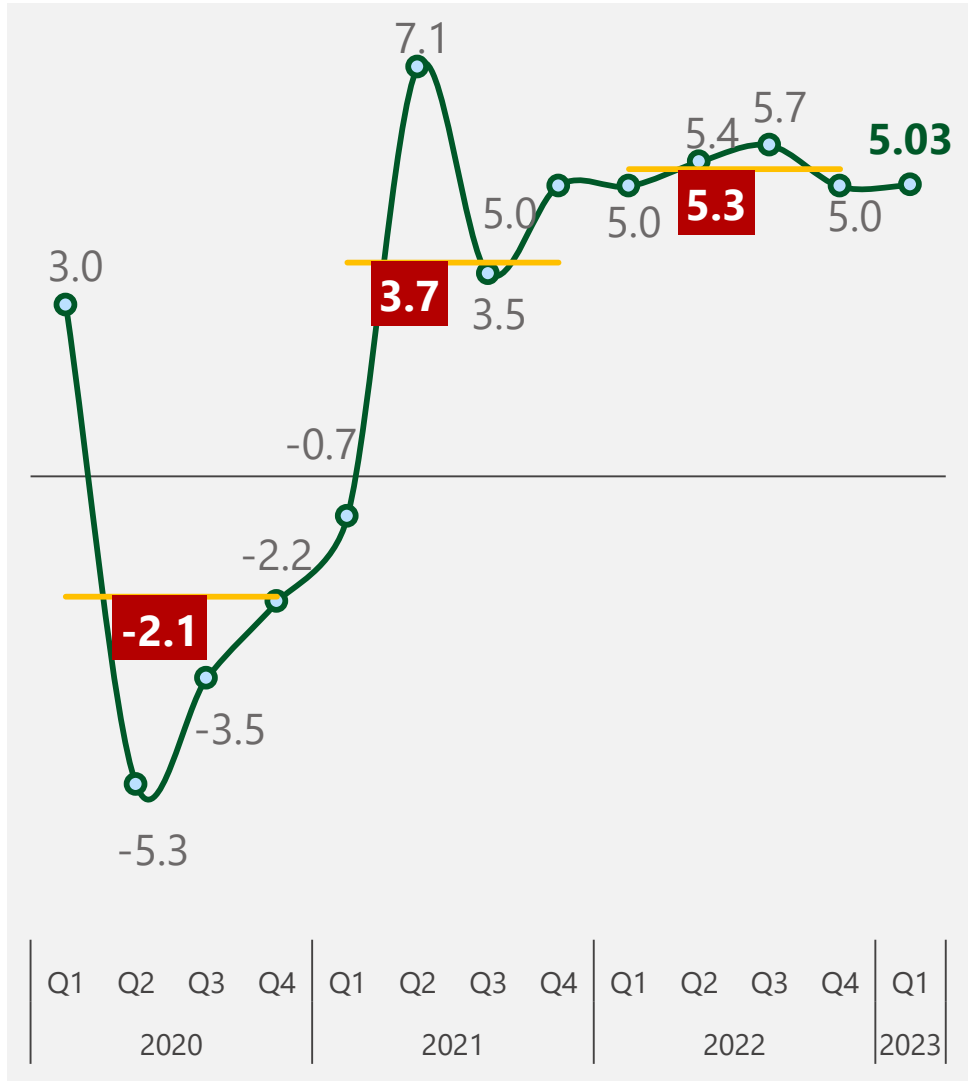


## DOMESTIC UPDATES

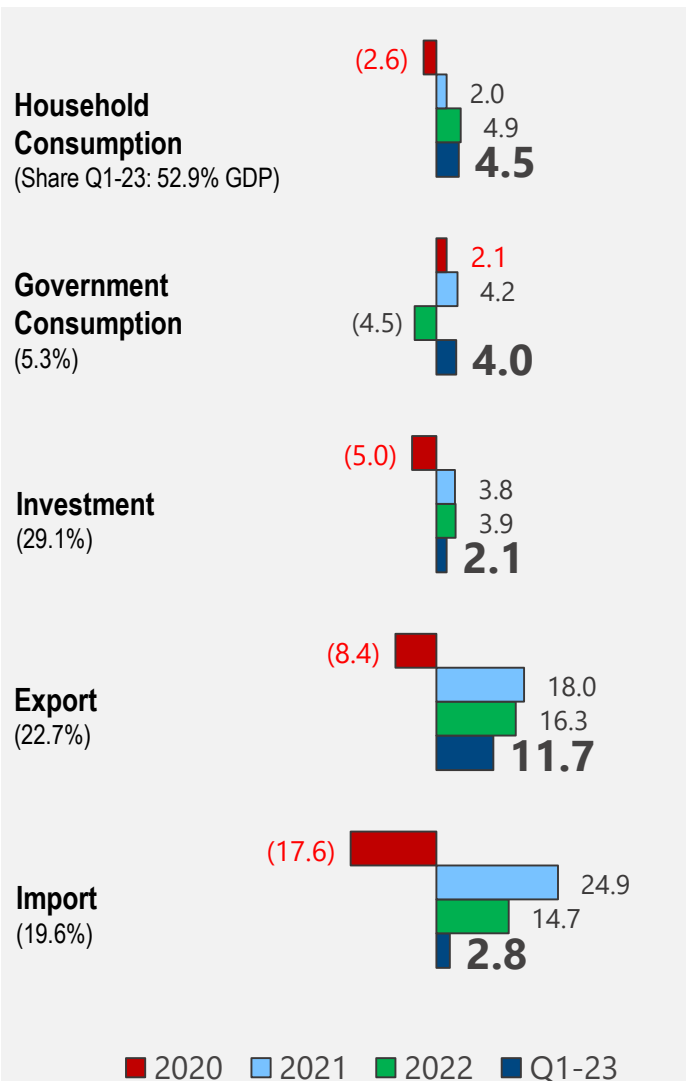


# INDONESIA'S ECONOMIC RECOVERY CONTINUES TO STRENGTHEN

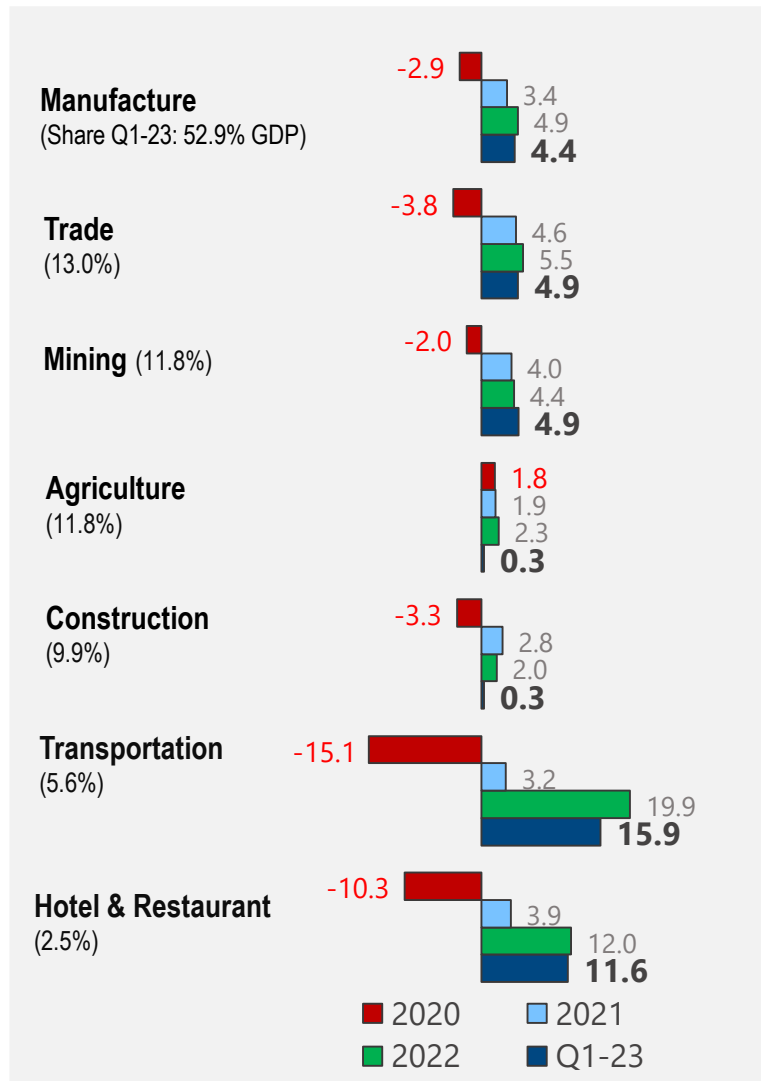
## Economic Growth (% ,yoy)



## Growth in Expenditure Components(%)

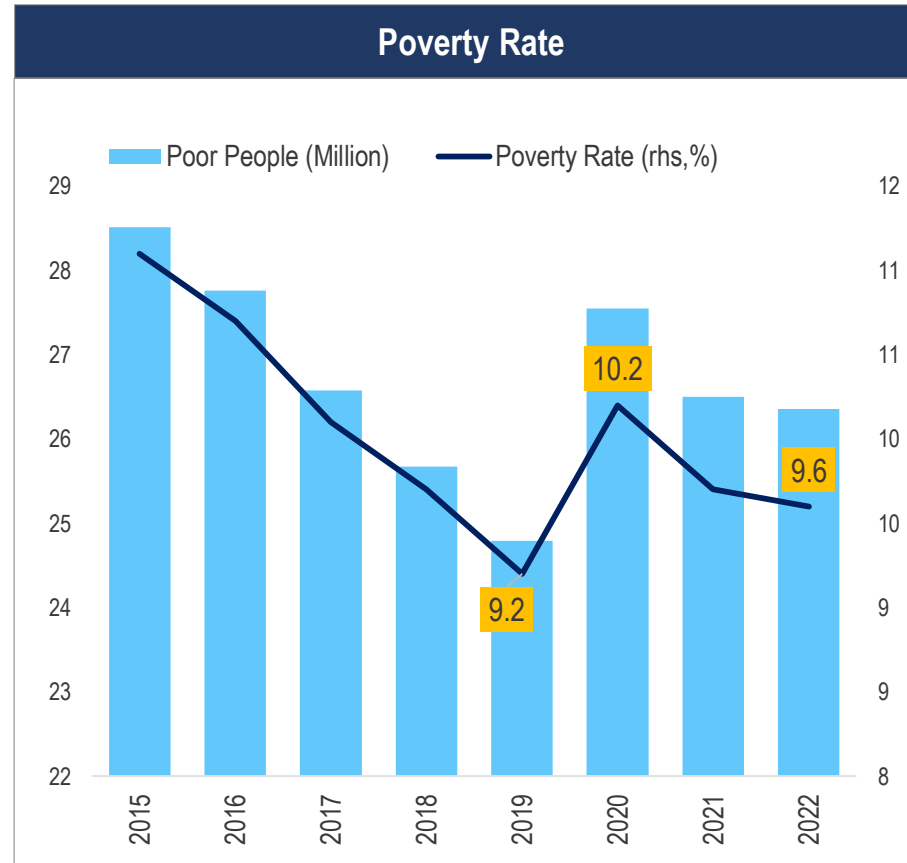
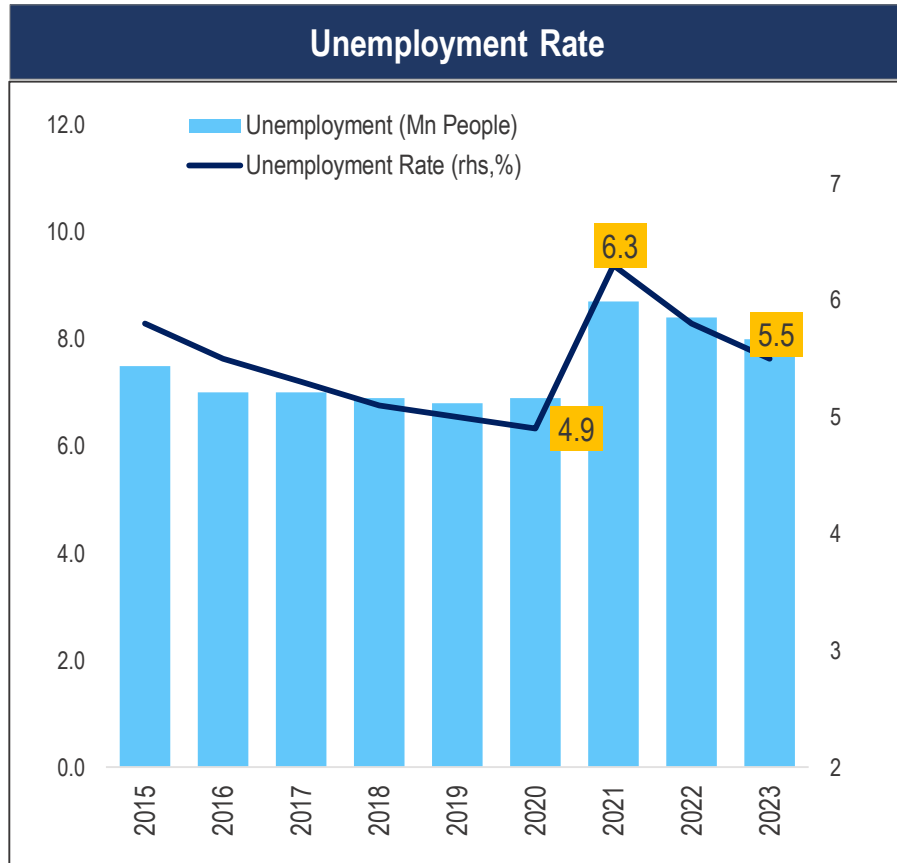


## Growth in Production Components (%)





# STRONG ECONOMIC RECOVERY HAS REDUCED UNEMPLOYMENT AND POVERTY RATES



✓ Various Social Assistances Programs have reduced unemployment and poverty rate.

✓ The poverty rate returned to single digit in 2021.

✓ Robust economic recovery has created more jobs an in turn reduced unemployment and poverty rate.

- Accelerating economic growth will create more jobs, hence unemployment rate

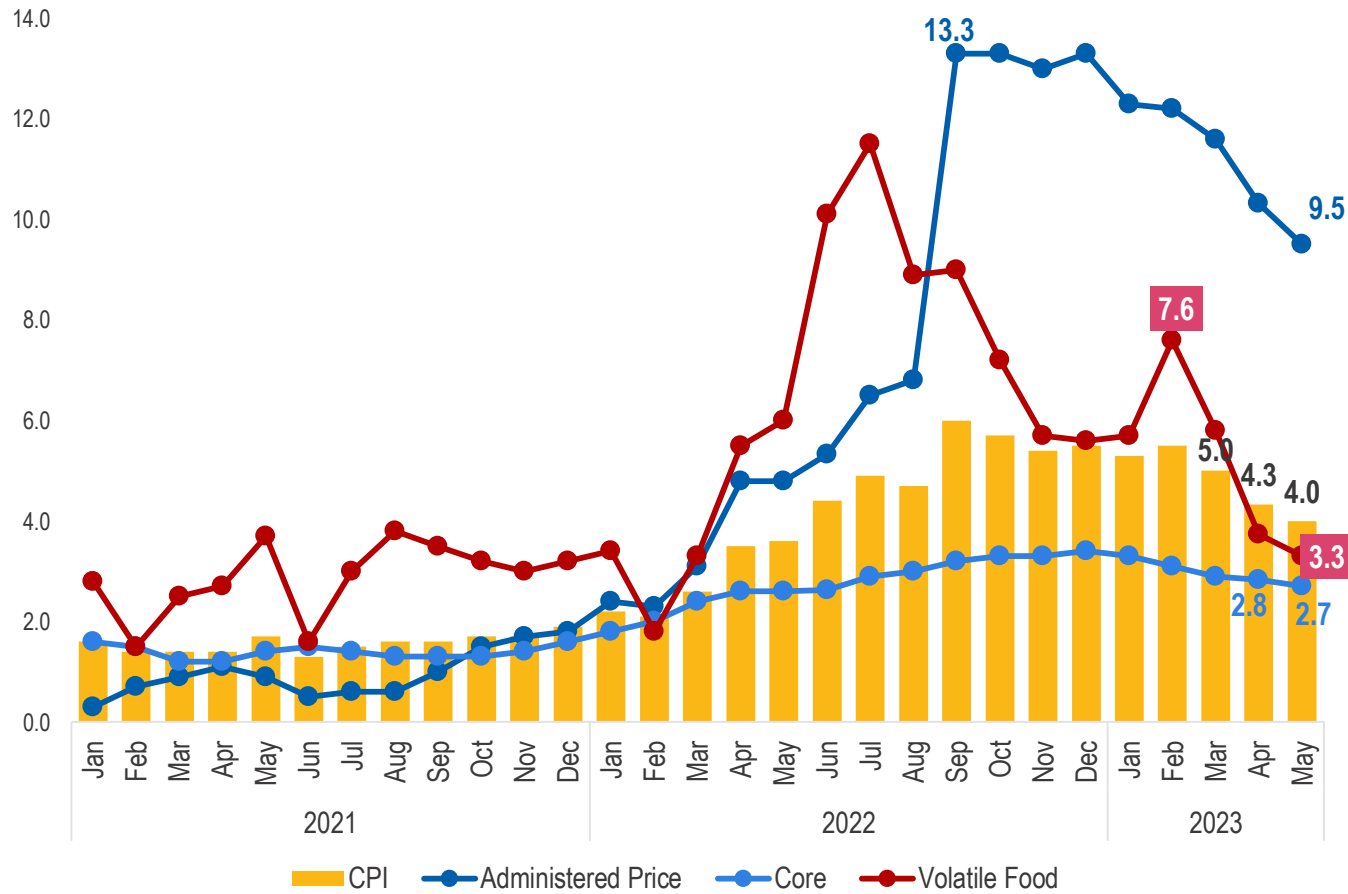
- The ongoing Social Registry Program will improve targeting. Integration and harmonization of the poverty alleviation program will boost effectiveness of the programs



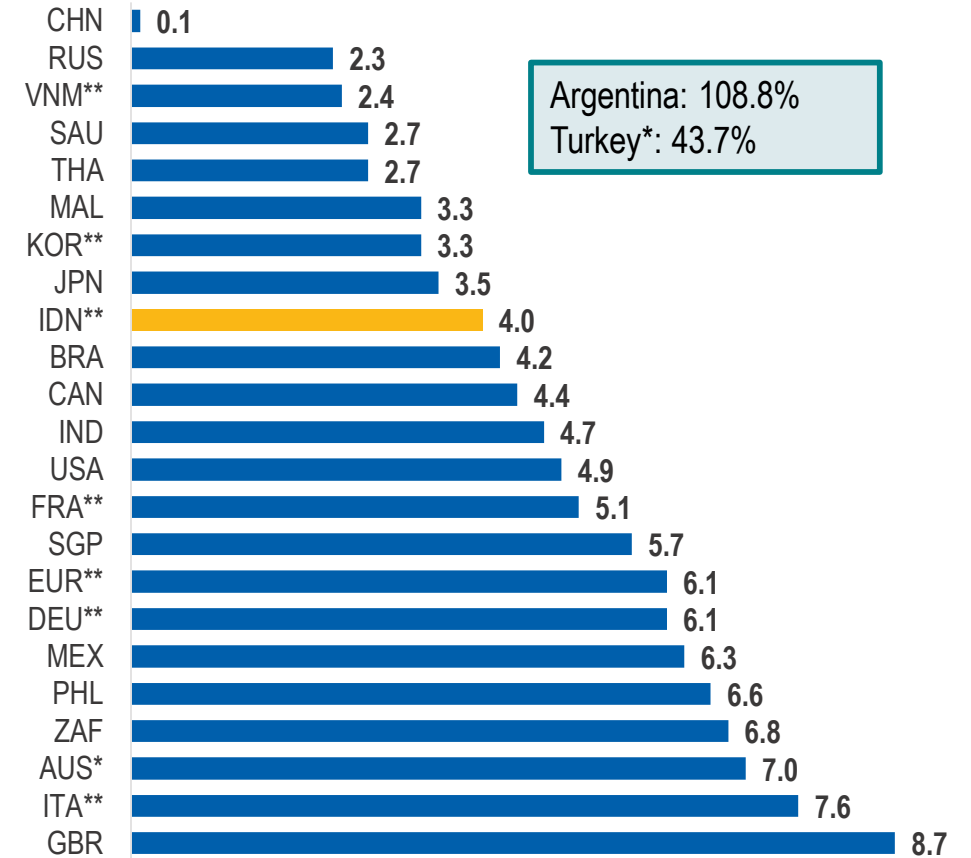
# INDONESIA HAS SUCCESSFULLY ACHIEVED LOWER INFLATION QUICKLY

Mainly by successfully decrease food inflation during the Holiday season

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



## COUNTRIES' INFLATION (% , YOY)



\* Mar 2023

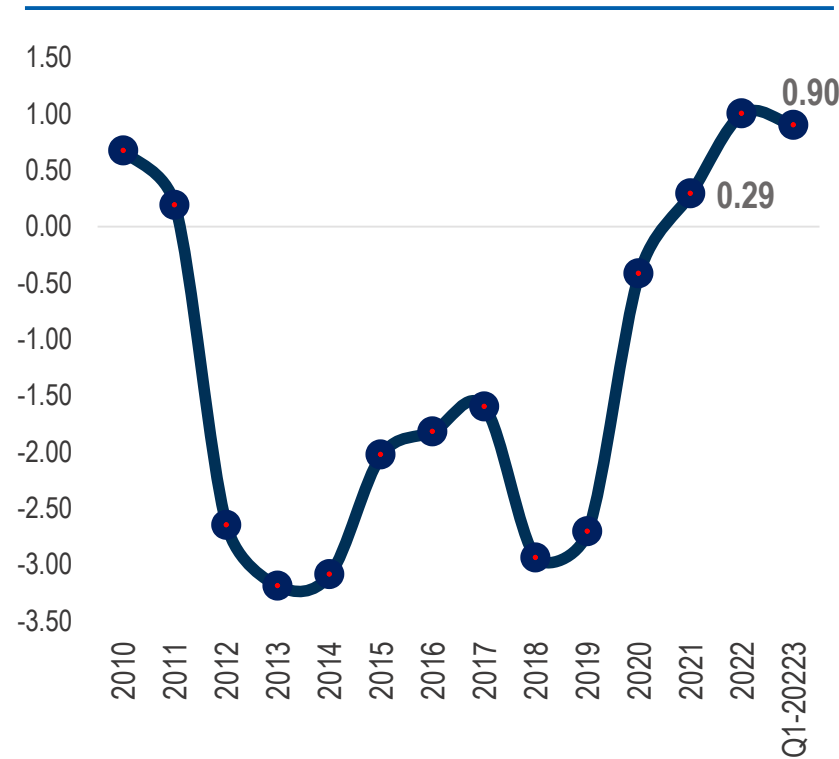
\*\* May 2023



# EXTERNAL POSITION CONTINUED TO STRENGTHEN, BOOSTED BY DOWNSTREAMING PRODUCTS

Strong export performance and commitment to down-streaming policy

## Current Account Balance (% of GDP)



## Fiscal Intervention

### Sufficient Raw Materials & Equipment

(duty-free, raw materials & machinery import, 0% value-added tax on goods, ban on raw material exports)

### Infrastructure

(special economic zones, public-private partnership, viability gap funding, project development fund, connectivity)

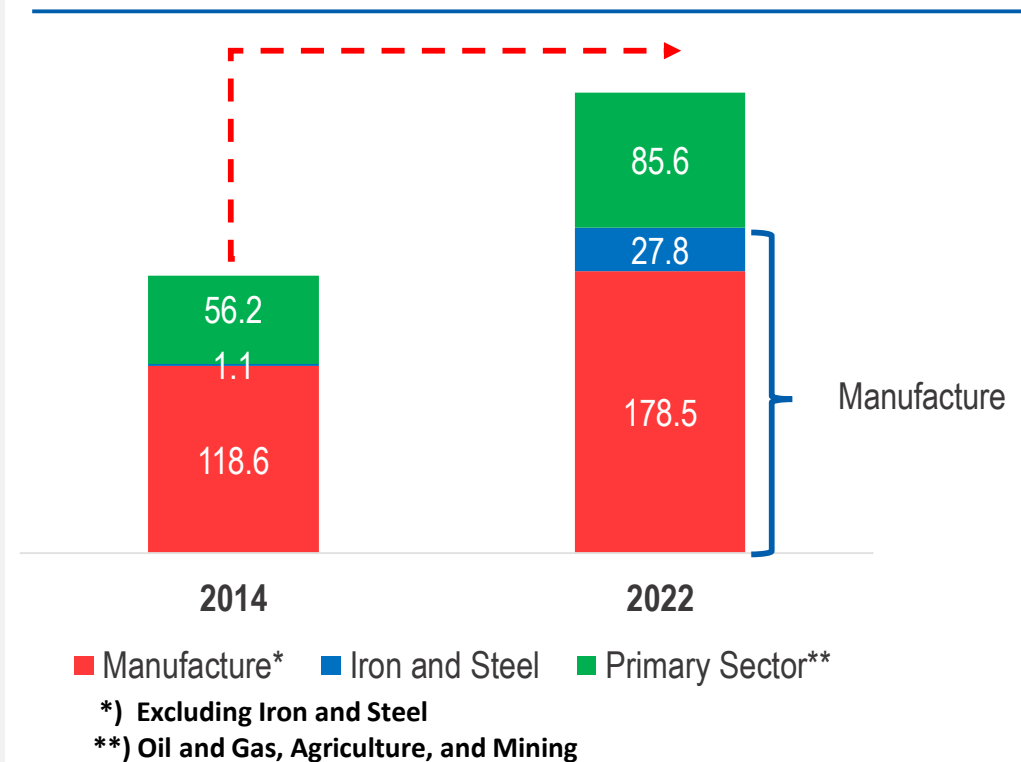
### Investment & Market Access

(tax holiday, tax allowance, Indonesia Eximbank, free trade agreements)

### Skilled Human Resources

(super deduction of income tax for research and development and vocational training, research endowment fund)

## Comparison of 2014 and 2022 Exports (US\$ bn)



- Indonesia's current account balance strengthens, exiting the "fragile five" group.
- Value-added mineral exports (iron and steel) and the primary sector contribute to improved export performance.
- Dealogic ranks **Indonesia as the fourth-largest market for new listed companies**, driven by the promising prospects of the EV battery industry.



CNN BUSINESS Markets Tech Media Calculators Videos

## Metals-rich Indonesia's IPO market is so red-hot it's thrashing Hong Kong and India

By Anna Cooban, CNN  
Updated 3:42 AM EDT, Mon May 29, 2023



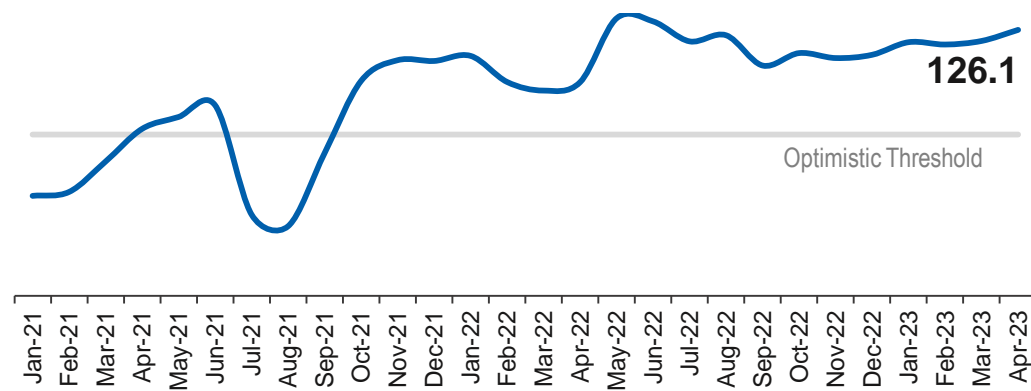




# NEAR TERM ECONOMIC OUTLOOK REMAINS STRONG, BUT GLOBAL SLOWDOWN RISKS NEED TO BE MONITORED

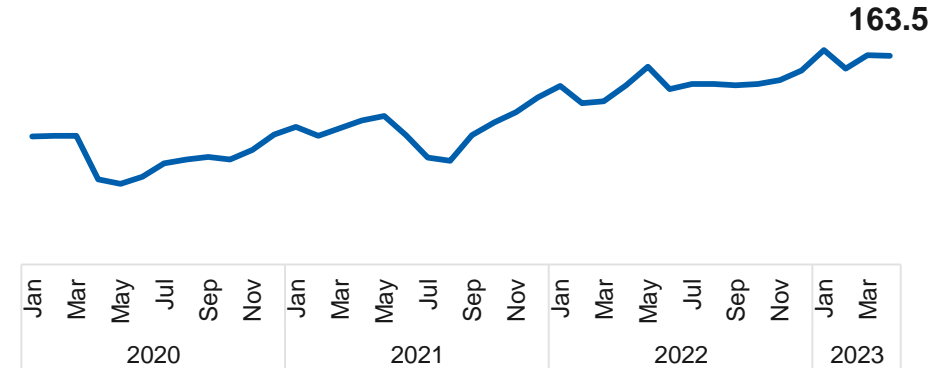
## Consumer Confidence Index

The Consumer Confidence Index remains in the optimistic zone



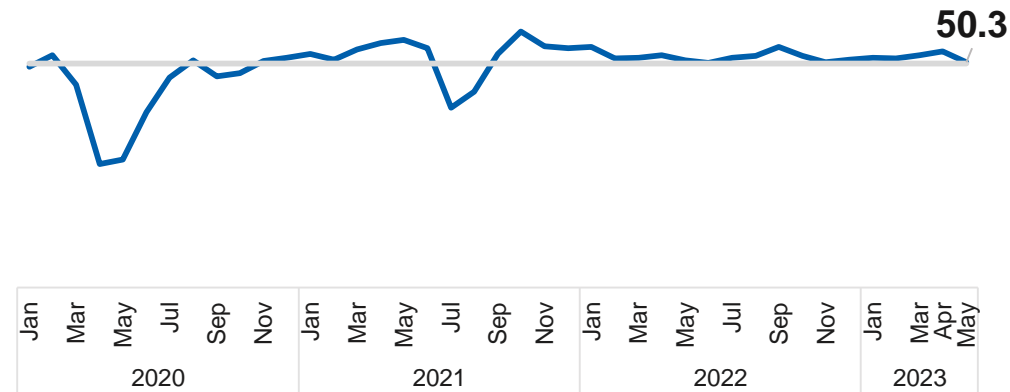
## Mandiri Spending Index

Mandiri Spending Index increases during the Ramadan and Eid period



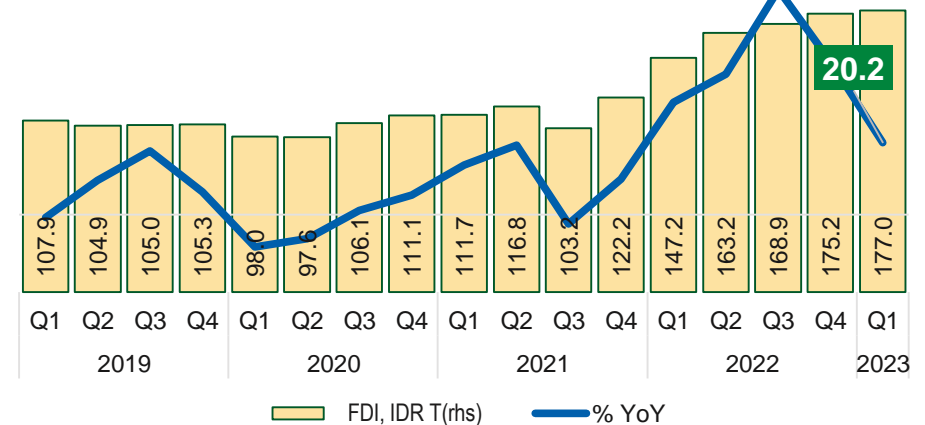
## Manufacturing Purchasing Manager Index

Indonesia's PMI remains expansive, but relatively slowing



## Foreign Direct Investment

Foreign Direct Investment grows quite strongly in Q1-23



Source: Bank Indonesia, Bank Mandiri, Ministry of Investment, HIS Markit

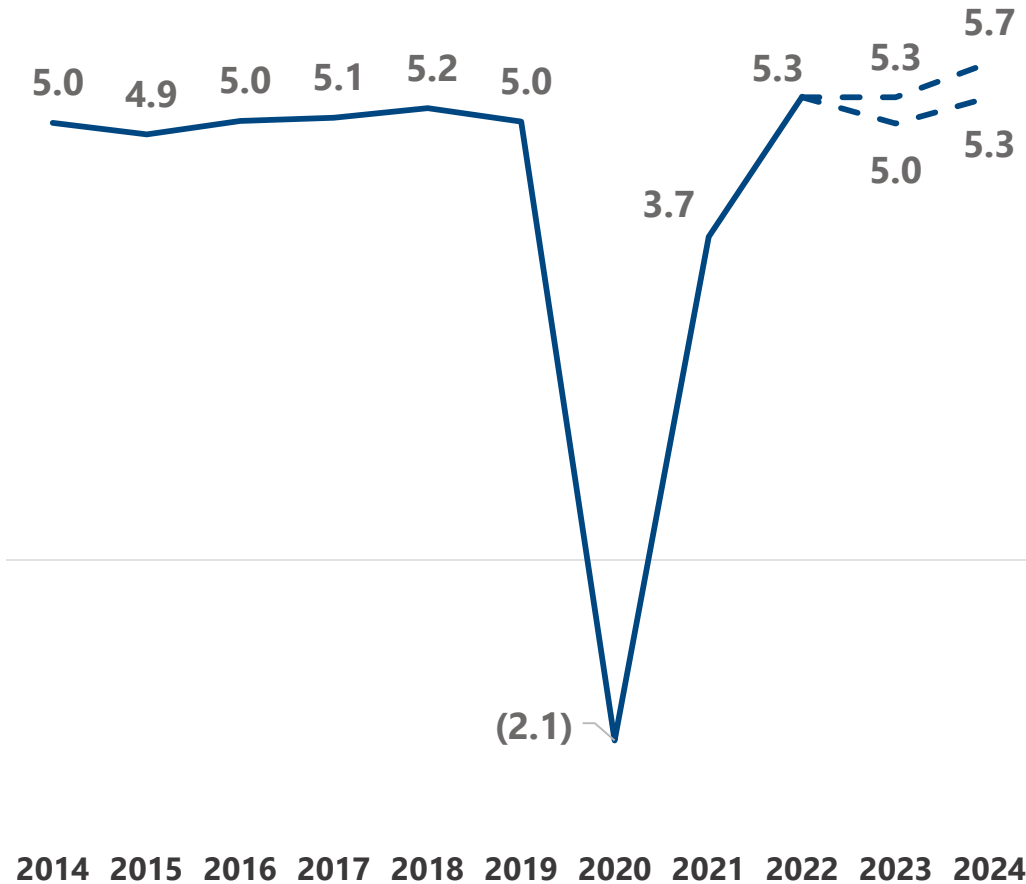


# GROWTH IS EXPECTED TO REMAIN ROBUST IN 2023

Global uncertainties and their impacts to the domestic economy need to be mitigated

## Annual Economic Growth Outlook (% , yoy)

Sources: Statistics Indonesia, forecast



## Indonesia's Economic Growth Outlook (% , yoy)

(in %)	2023	2024
<b>IMF (WEO Apr)</b>	5.0*	5.1
<b>World Bank (GEP June)</b>	4.9	4.9
<b>Bloomberg Consensus (May)</b>	4.9	5.0
<b>OECD (Mar)</b>	4.7	5.1

### Upside risks:

- The overall global economic prospects slightly improve.
- The implementation of the 2024 Elections positively impacts consumer spending.
- The acceleration of economic transformation continues (diversification, digitalization).

### Downside risks:

- The economic growth of trading partner countries, particularly China, remains moderate. The US and Europe still face pressure.
- Exports of consumer products continue to experience correction.
- Businesses adopt a "wait and see" approach, leading to constrained investments.

Source: IMF WEO April 2023; World Bank Global Economic Prospects June 2023; OECD Economic Forecast Summary Mar 2022; ADB Asian Development Outlook April 2023; Bloomberg, and Ministry of Finance



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## FISCAL PERFORMANCE

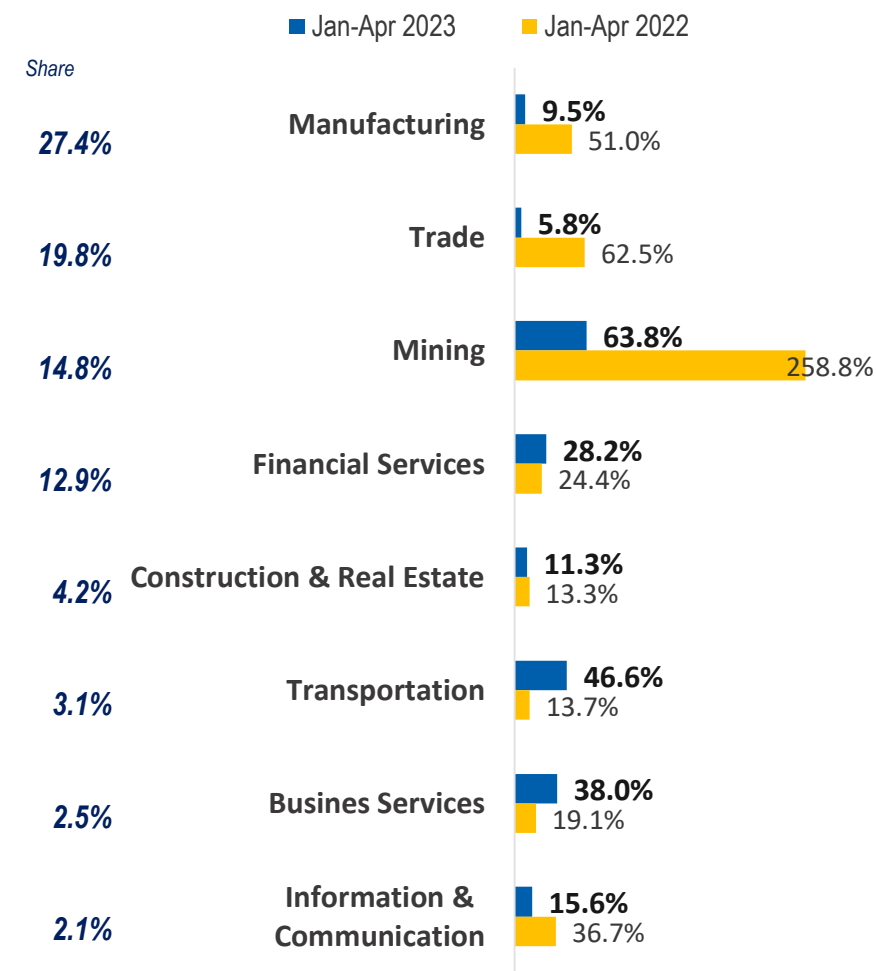


# BUDGET OUTTURN UP TO APRIL 2023 SHOWED POSITIVE SIGN

Economic Activities and the implementation of the HPP Law drive revenue despite commodity price normalization

Account (IDRtn)	2022			2023			
	Real. as of 30 April	% to Revised Budget	Growth (%)	Budget	Real. as of 30 April	% to Budget	Growth (%)
<b>A. Revenue</b>	<b>853.2</b>	<b>37.6</b>	<b>45.9</b>	<b>2,463.0</b>	<b>1,000.5</b>	<b>40.6</b>	<b>17.3</b>
I. Tax Revenue (DG Tax & Custom-Excise)	675.7	37.9	49.0	2,021.2	782.7	38.7	15.6
1. Tax	567.3	38.2	51.4	1,718.0	688.1	40.1	21.3
2. Custom & Excise	108.4	36.2	37.7	303.2	94.5	31.2	(12.8)
II. Non-Tax Revenue	177.3	36.8	35.0	414.4	217.8	49.3	22.8
<b>B. Expenditure</b>	<b>750.5</b>	<b>24.2</b>	<b>3.8</b>	<b>3,061.2</b>	<b>765.8</b>	<b>25.0</b>	<b>2.0</b>
I. Central Government	508.0	22.1	3.7	2,246.5	522.7	23.3	2.9
1. Line Ministries Spending	253.6	26.8	(9.0)	1,000.8	257.7	25.7	1.6
2. Non-Line Ministries	254.4	18.8	20.4	1,245.6	265.0	21.3	4.1
II. Regional Transfer & Village Funds	242.4	30.1	4.0	814.7	243.1	29.8	0.3
<b>C. Primary Balance</b>	<b>220.5</b>	<b>(50.8)</b>	<b>(704.3)</b>	<b>(156.8)</b>	<b>374.3</b>	<b>(238.8)</b>	<b>69.7</b>
<b>D. Surplus (Deficit)</b>	<b>102.7</b>	<b>(12.2)</b>	<b>(174.3)</b>	<b>(598.2)</b>	<b>234.7</b>	<b>(39.2)</b>	<b>128.5</b>
<b>% to GDP</b>	<b>0.52</b>			<b>(2.84)</b>	<b>1.12</b>		
<b>E. Financing</b>	<b>143.2</b>	<b>17.0</b>	<b>(63.9)</b>	<b>598.2</b>	<b>223.9</b>	<b>37.4</b>	<b>56.3</b>

## Positive Growth in Main Sector Tax Revenue (YoY)

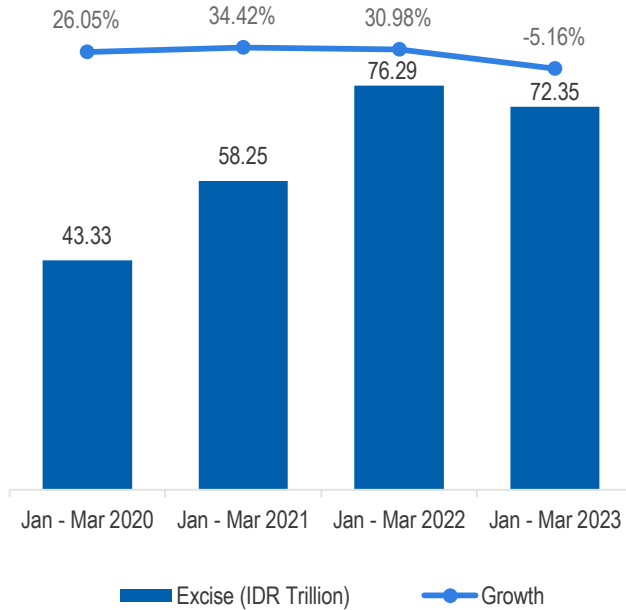




# REALIZATION OF CUSTOMS AND EXCISE REVENUES SLOWS DOWN

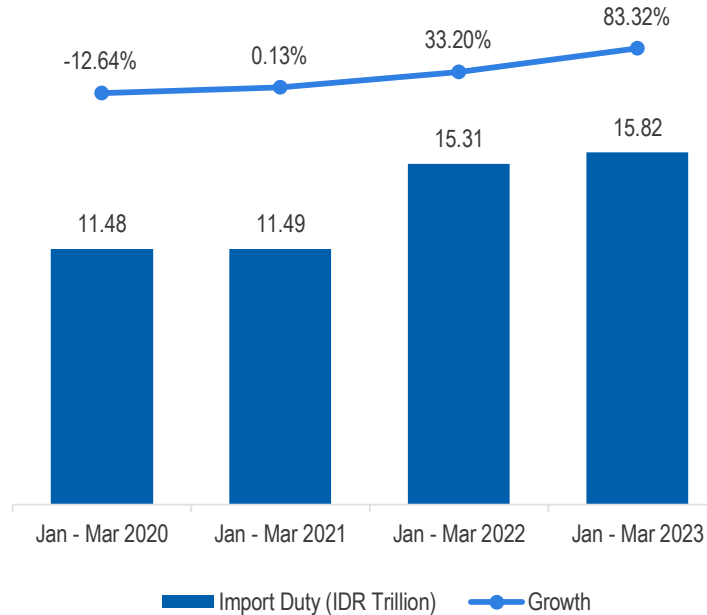
Due to a decline in customs duties and excise revenues, but import duty revenues still show positive performance

### Excise Revenue



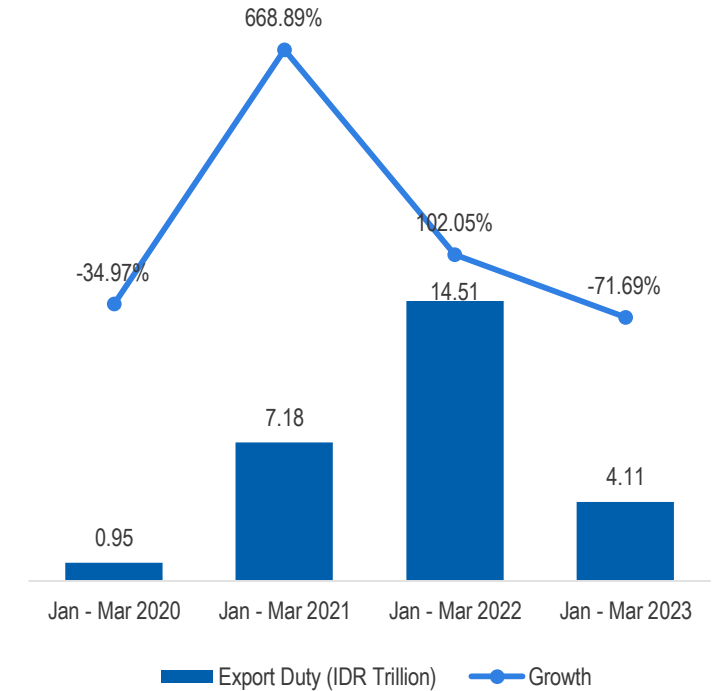
Tax revenue from tobacco excise has declined due to a decrease in the production of tobacco products, especially in the first category, and the high revenue base in April 2022 due to early settlements.

### Import Duty Revenue



Driven by the increase in the USD exchange rate and vehicle excise tax

### Export Duty Revenue



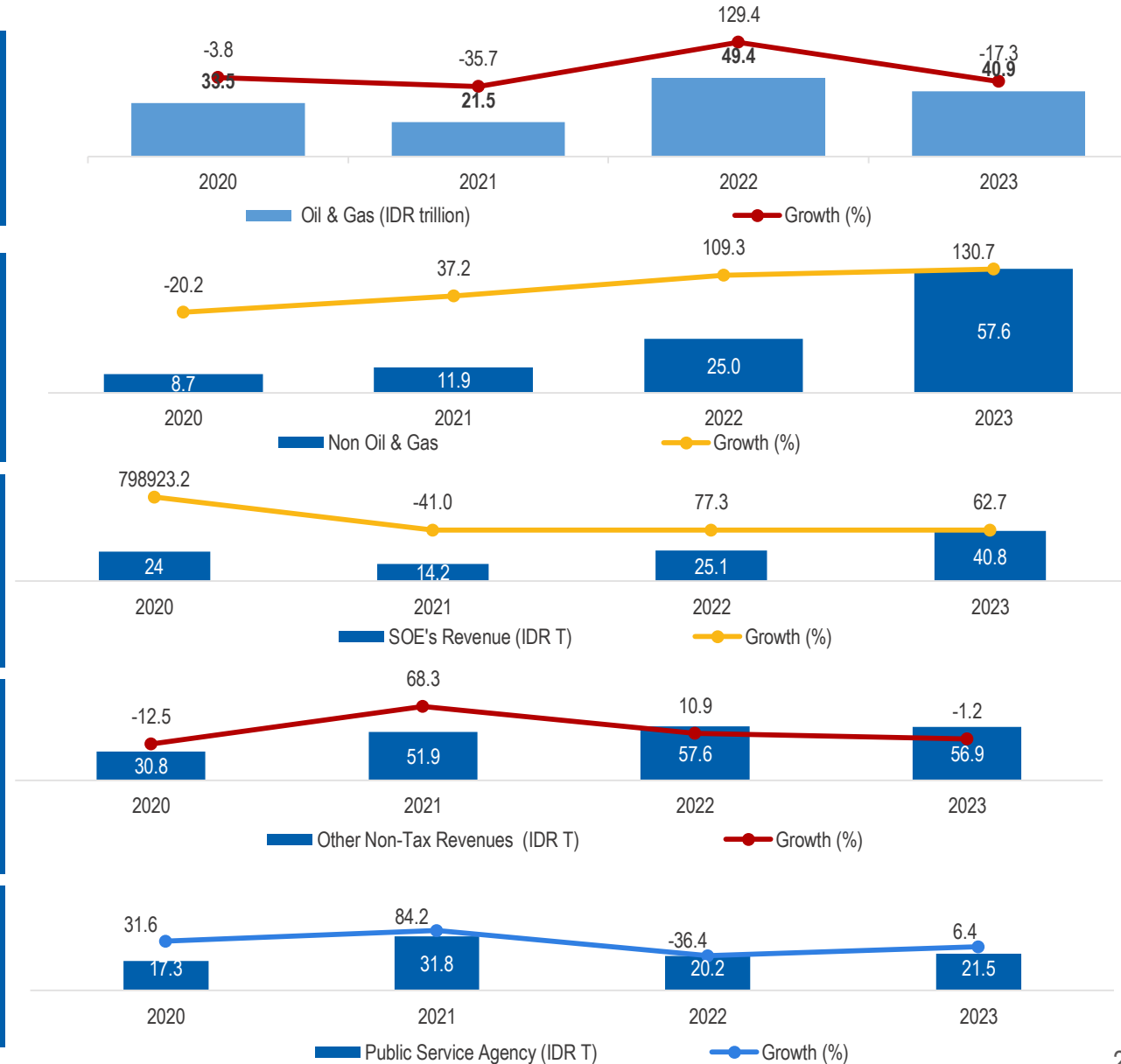
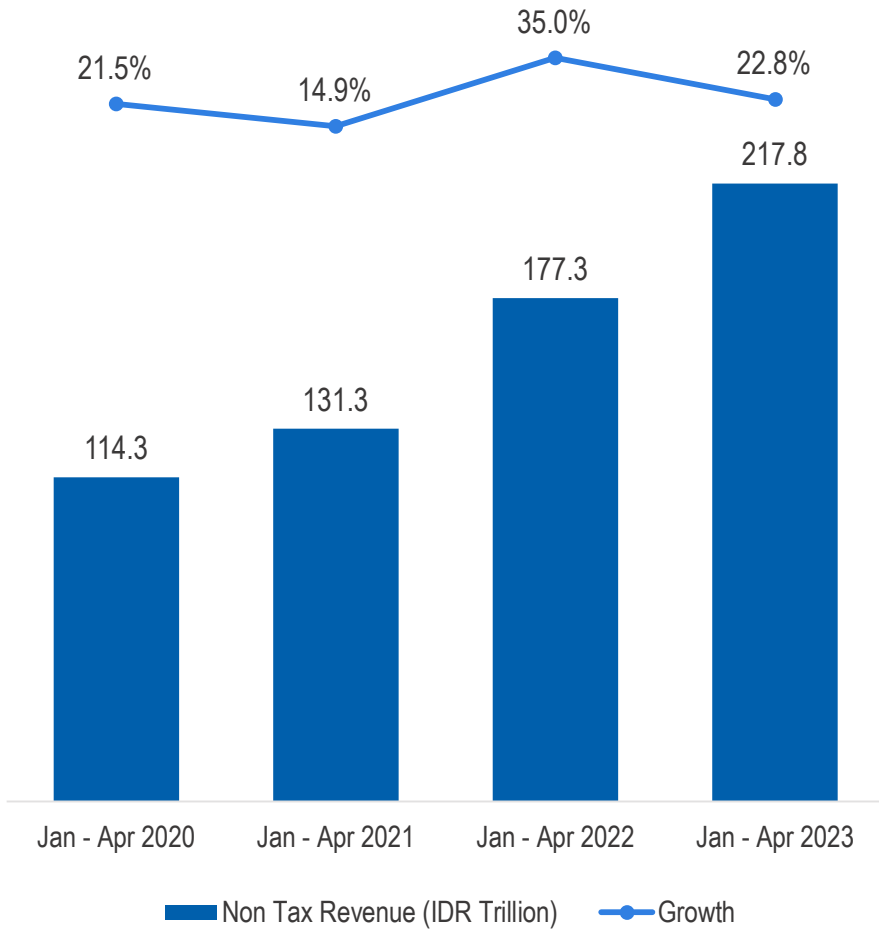
Affected by the moderated decline in CPO prices and the decrease in mineral commodity export volume

Source: Ministry of Finance  
\* As of April 2023



# UNTIL APRIL 30, 2023, NON TAX REVENUE REALIZATION CONTINUES TO GROW WELL, BUT LOWER THAN THE PREVIOUS MONTH

## Non-Tax Revenue



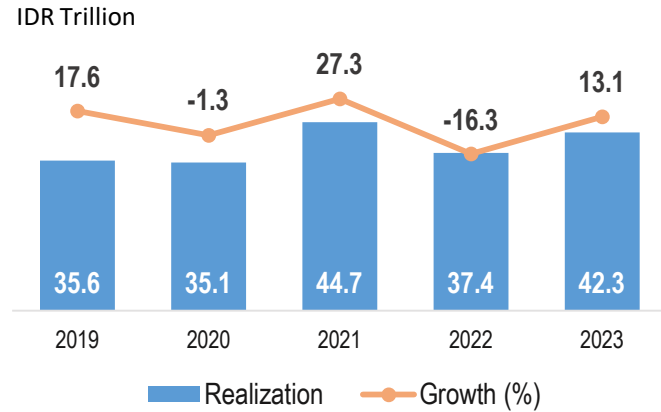
Source: Ministry of Finance  
\* As of April 2023



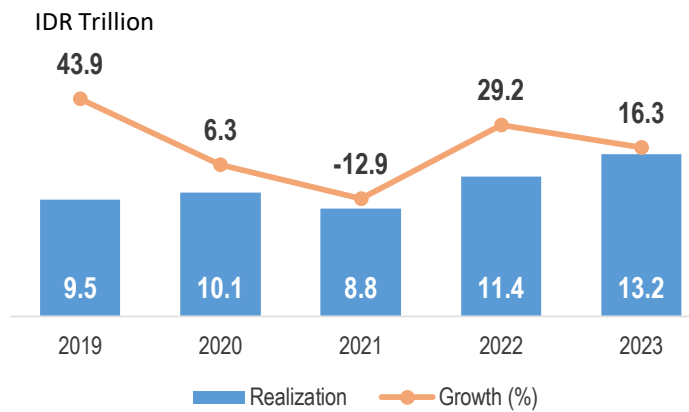
# GOVERNMENT MAINTAINS FOCUS ON PRIORITY SPENDING

Enhanced central government spending for direct community benefits

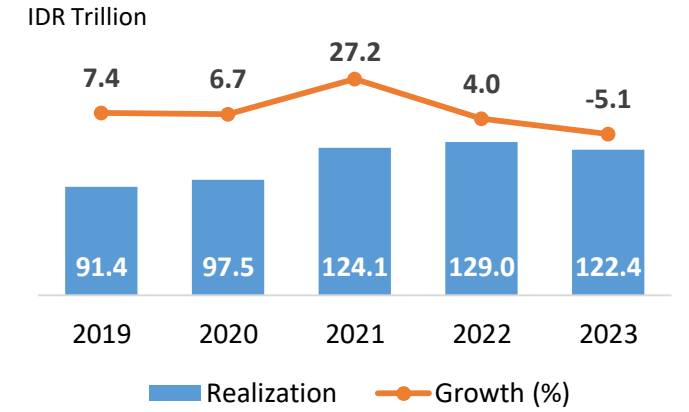
## Health Spending



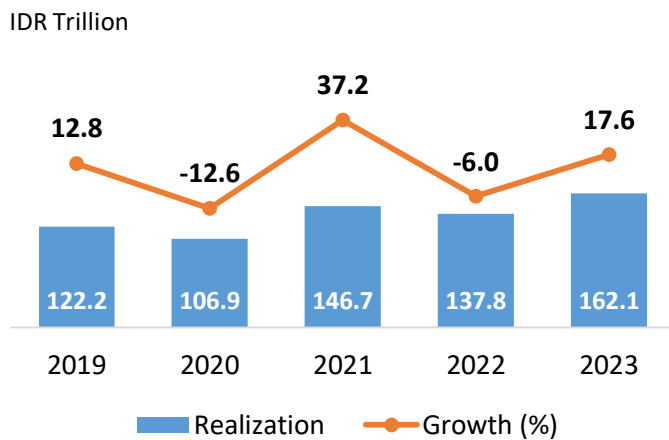
## Food Security Spending



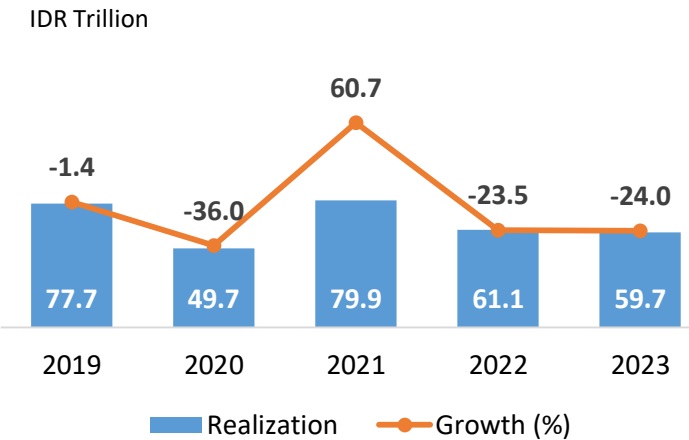
## Social Protection Spending



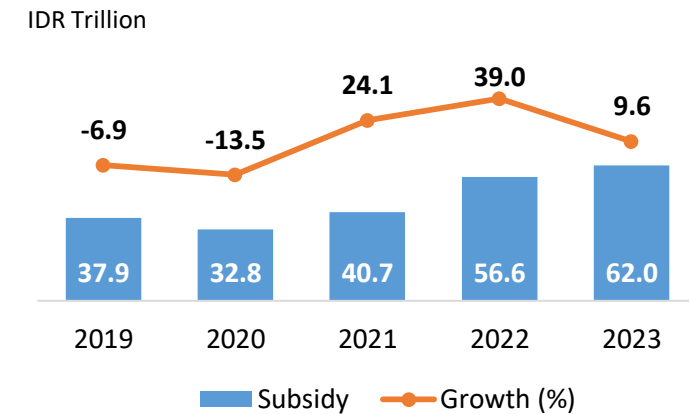
## Education Spending



## Infrastructure Spending



## Subsidy Spending

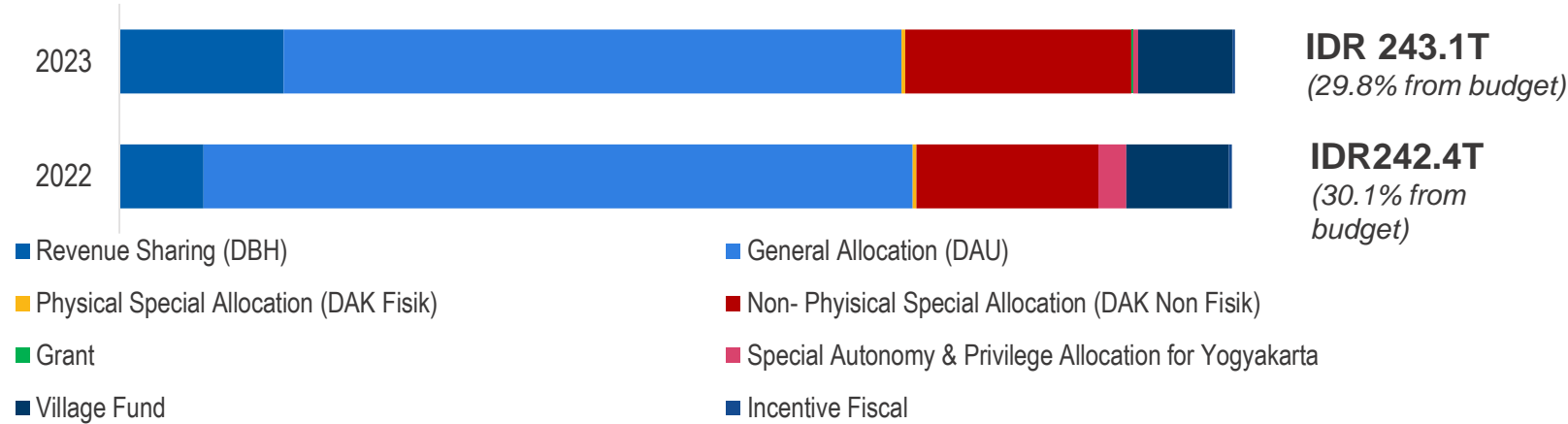




# INCREASED TRANSFER TO REGIONS WITH IMPROVED GOVERNANCE

## Transfer to Region Fund

(January – April)

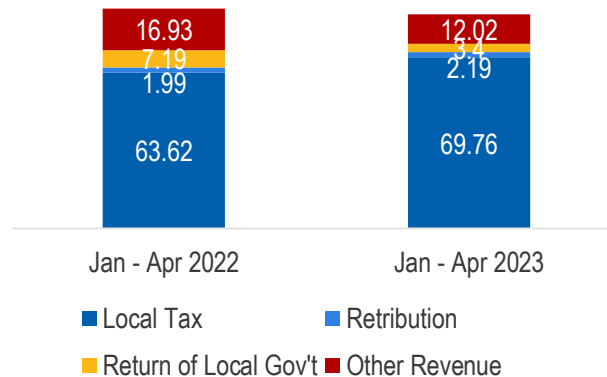


The distribution of transfers to regions until April 2023 reached Rp243.1 trillion (29.8%), marking a 0.3% increase compared to the realized amount in the 2022 fiscal year of Rp242.4 trillion (30.1%).

## Local Government Performance

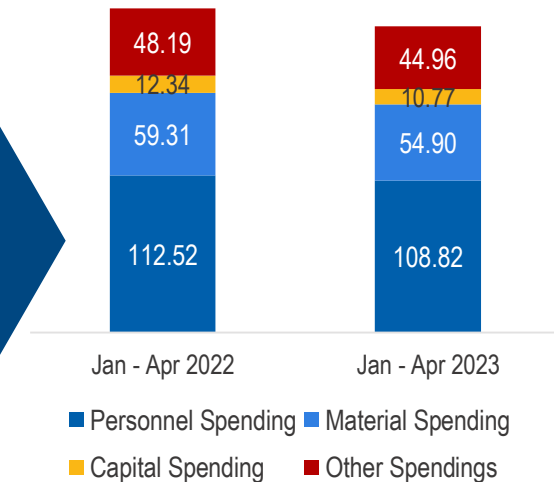
### REVENUE

The performance of local taxes has shown a 9.6% increase (year-on-year), primarily due to the growth in the realization of consumptive taxes, which indicates improving economic activities within the local regions.



### SPENDING

In April 2023, regional budget expenditure experienced a -5.56% (YoY) slowdown. This was primarily caused by reduced absorption in Personnel, Goods and Services, and Other Expenditures due to national holidays



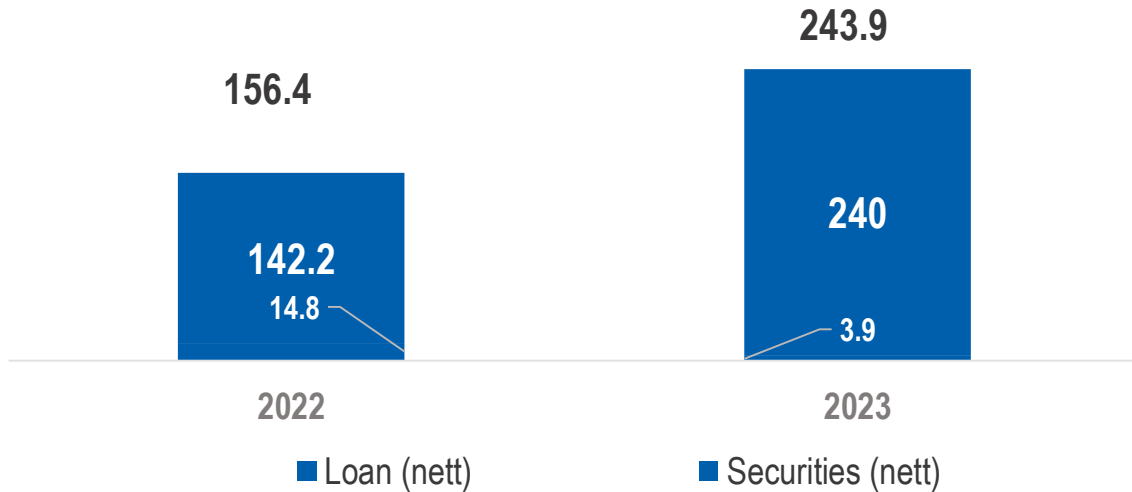
Source: Ministry of Finance  
\* As of April 2023





# PRUDENT AND ACCOUNTABLE FINANCING MANAGEMENT FOR BUDGET PERFORMANCE SUPPORT

## Financing Realization Up To 30 April



**Domestic Loan (Net)**  
IDR 0.78T

**Foreign Loan (Net)**  
IDR 3.08 T

- Domestic Loan Withdrawal (Gross) **IDR 1.28T**
- Domestic loan principal installment financing **IDR (0.50T)**

- Foreign Loan Withdrawal (Gross) **IDR 30.17T**
- Foreign loan principal installment financing **IDR (27.09T)**

## PLAN & REALIZATION OF INVESTMENT FINANCING



**Housing Financing Liquidity Facility**  
IDR 85.78T\*

- As of April 28, 2023, a total of 63,097 FLPP (Housing Financing Liquidity Facility) homes have been disbursed to low-income communities across 378 cities/regencies, with a total value of Rp7.05 trillion.



**Education Fund Management Agency (LPDP)**  
IDR 8T  
(Funding Target)

- Total Endowment Fund as of April 2023  
IDR 134.11T



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

- Financing LDKPI by IDR 2T

Source: Ministry of Finance  
\* As of April 2023



# THANK YOU

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FISCAL POLICY AGENCY, MINISTRY OF FINANCE,  
REPUBLIC OF INDONESIA

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