



MINISTRY OF FINANCE
REPUBLIC OF INDONESIA

RECENT MACROECONOMIC AND FISCAL UPDATE

MINISTRY OF FINANCE
June 2023



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01

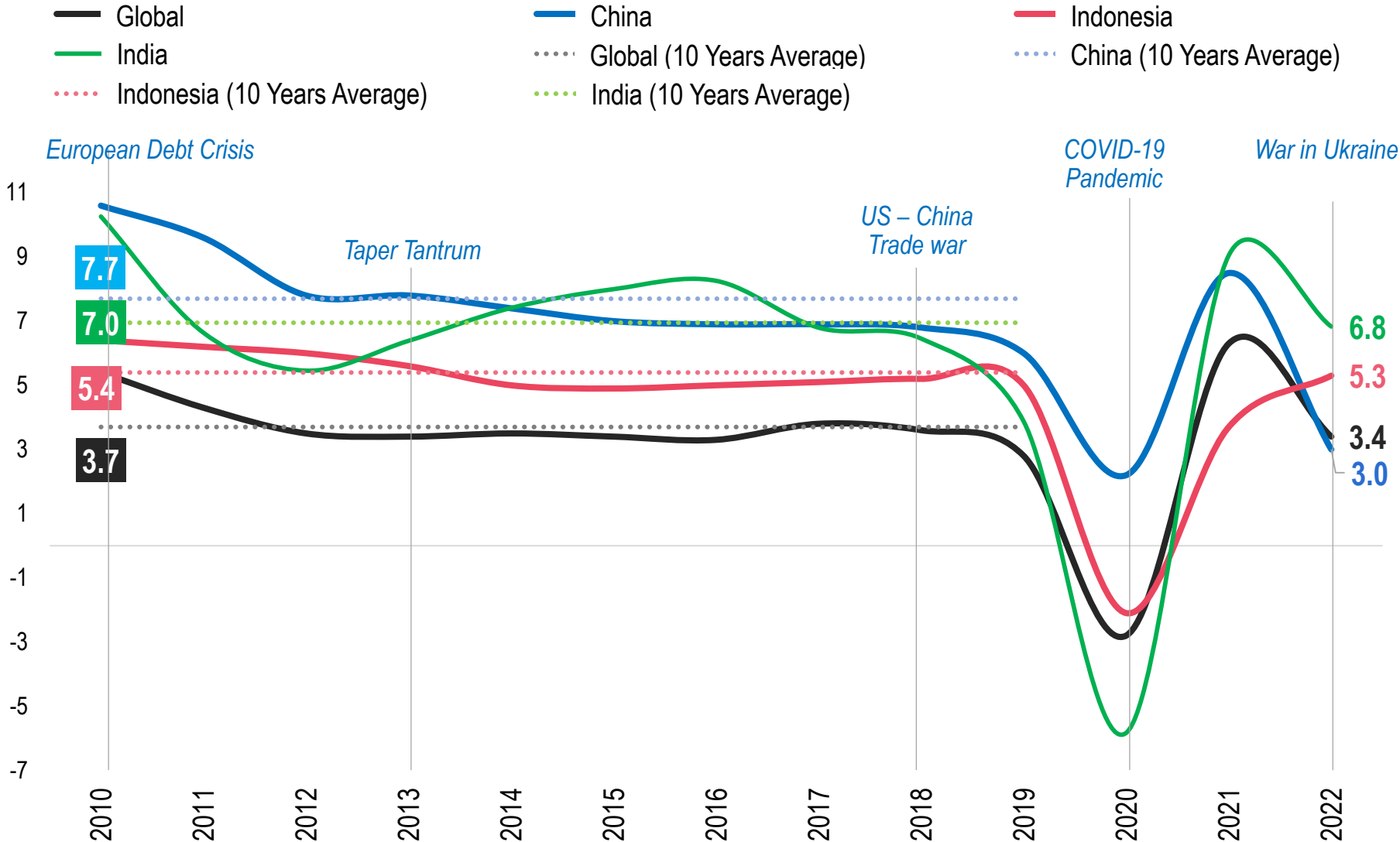


GLOBAL UPDATE & RISKS



DESPITE FACING VARIOUS CHALLENGES, THE INDONESIAN ECONOMY HAS SHOWN ROBUST GROWTH

Economic Growth (% yoy)



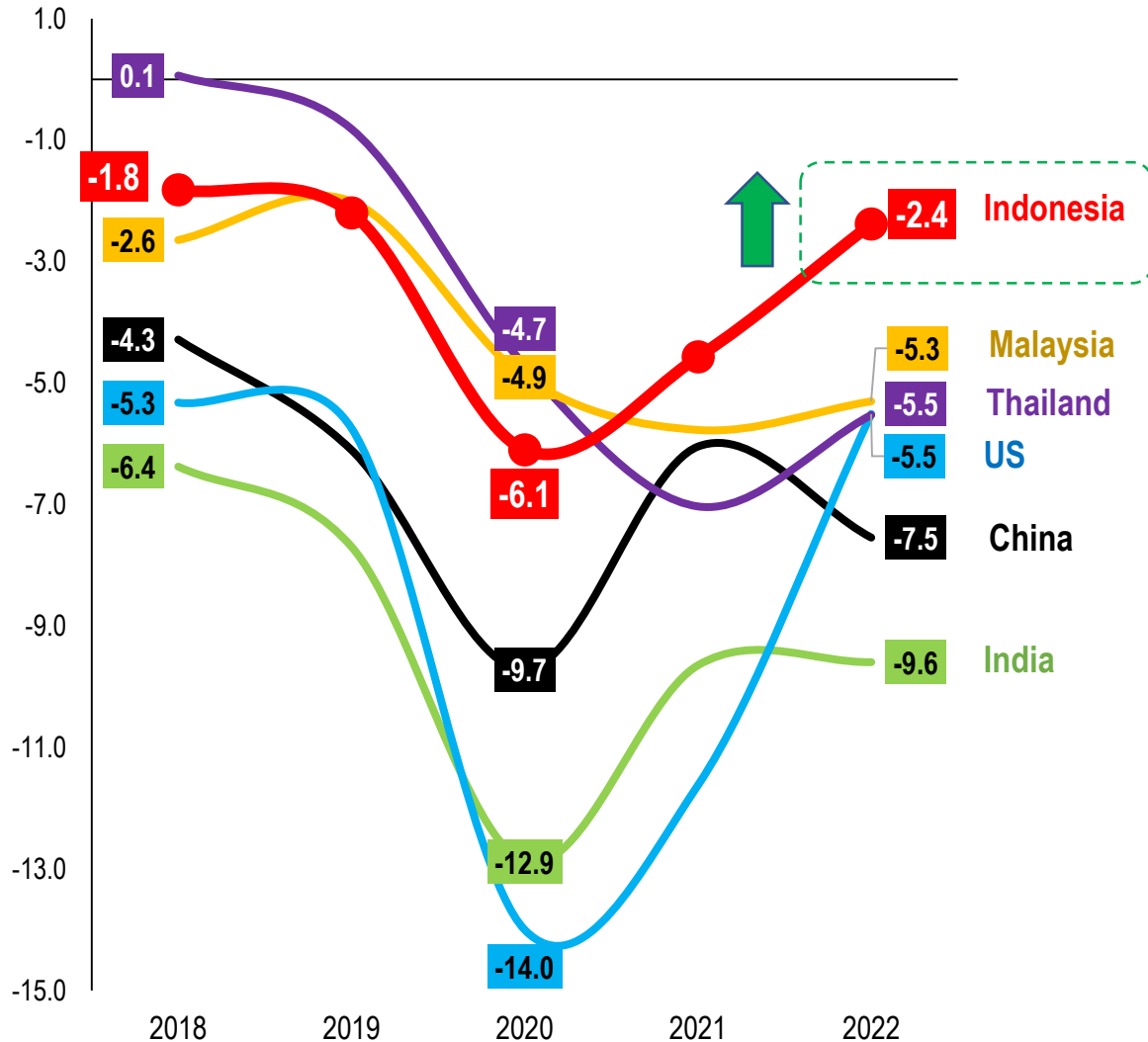
- The economies of Indonesia, China, and India have consistently grown above global growth.
- Following the global financial crisis 2008, the global economy slowed down, exacerbated by the onset of the US-China trade war in 2017.
- The Covid-19 pandemic caused a deep global contraction. Nonetheless, Indonesia's recovery is the most stable among countries.



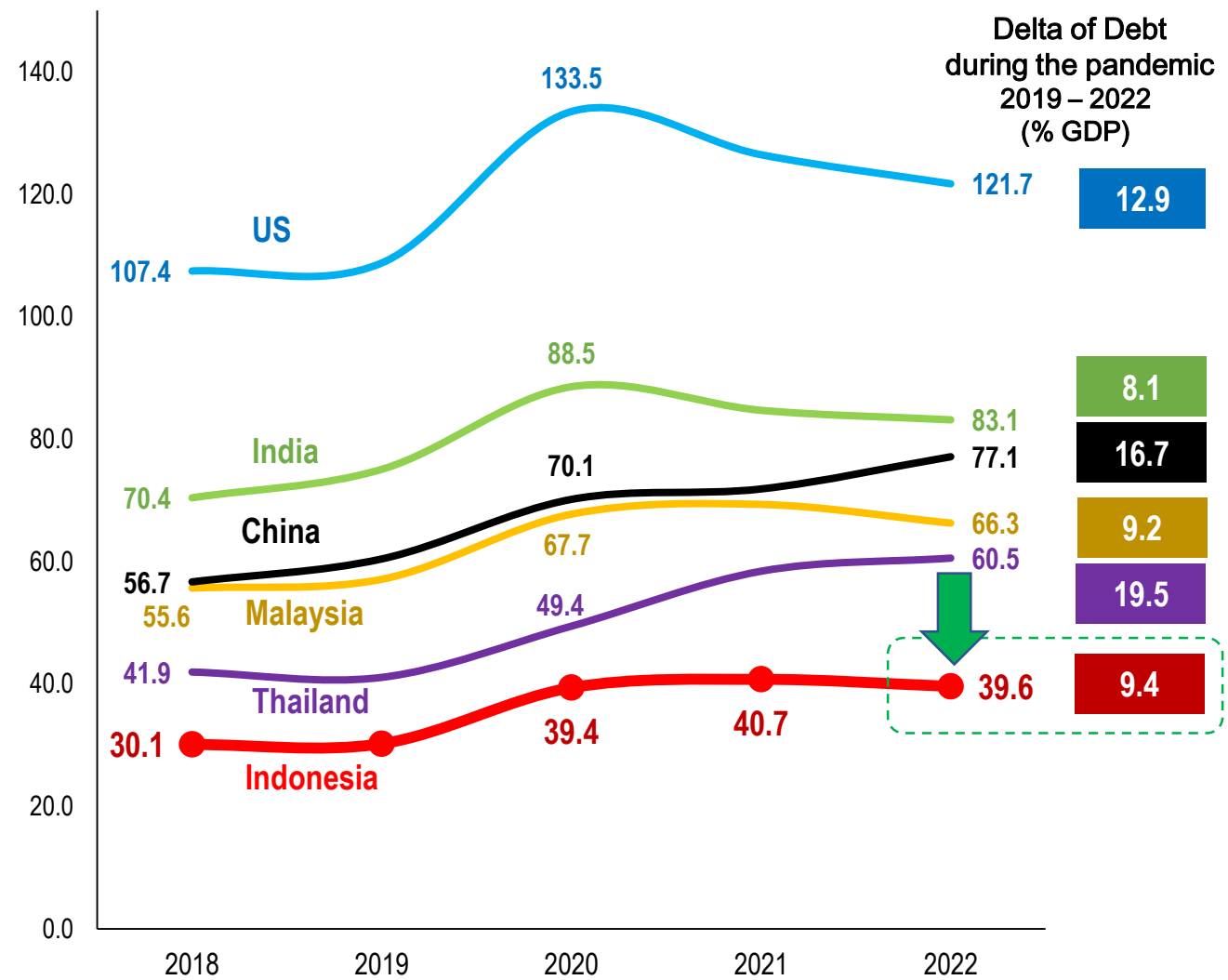
INDONESIA'S COUNTERCYCLICAL FISCAL POLICY HAS BEEN PRUDENTLY DESIGNED AND EFFECTIVE IN REVIVING THE ECONOMY

During the pandemic, the deficit was substantially widened, but quickly improved with stronger economic activities

Fiscal Deficit Before and After the Pandemic (% GDP)



Debt Ratio Before and After the Pandemic (% GDP)



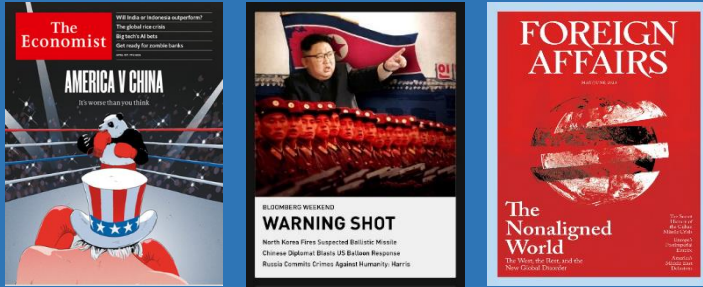
Source: IMF Database & MoF, processed



THE POST-PANDEMIC CHALLENGES SEEM EVEN HARDER

GEOPOLITICAL TENSION

The current main source of uncertainties will likely escalate in the 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 complexity. US Inflation Reduction Act (IRA) and EU Carbon Border Adjustment Mechanism (CBAM).

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



Chip war



Mis- & Disinformation



Future of Work



PANDEMIC

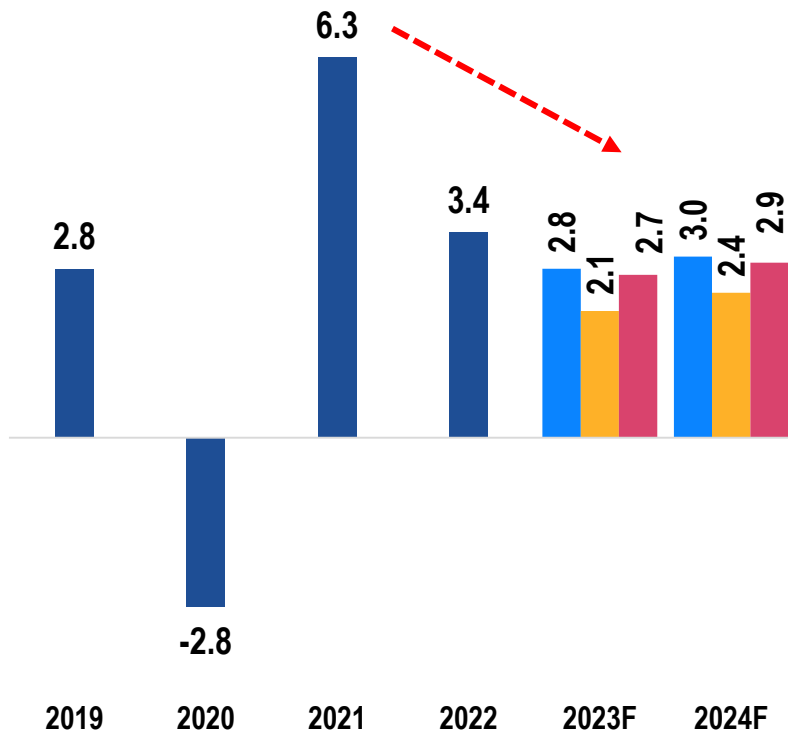
Its occurrence gets more frequent and causes a deep multidimensional crisis.



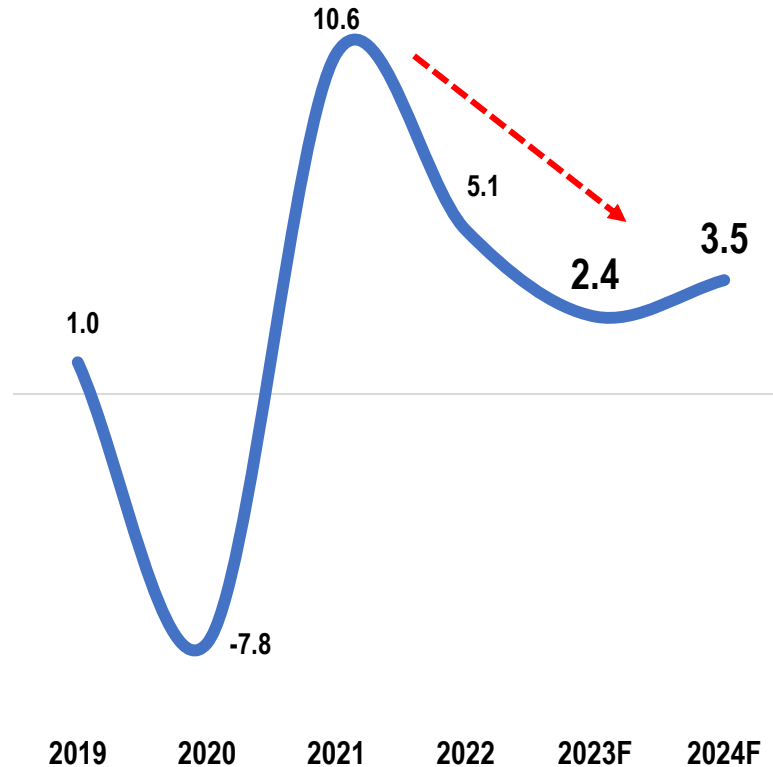
GLOBAL ECONOMIC RECOVERY IS RESTRAINED

Global Economic Growth Projection, % yoy

■ IMF Apr '23 ■ WB Jun '23 ■ OECD Jun '23



Global Volume Trade Projection by IMF, % yoy



Inflation Projections by the IMF, % yoy

— #REF! — #REF! — #REF!



Downside risks remain dominant

- ✓ Escalation of war in Ukraine
- ✓ Debt distress

- ✓ Escalated war in Ukraine
- ✓ Geoeconomic fragmentation

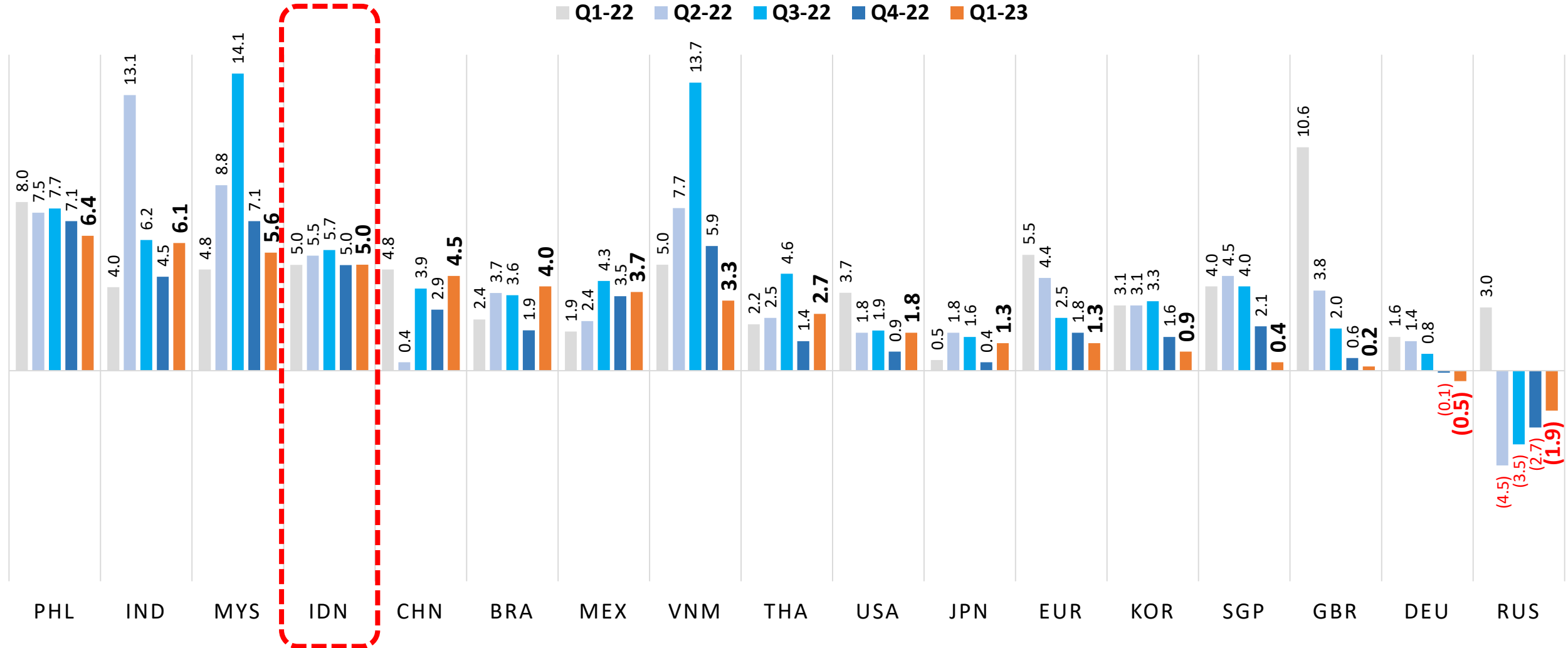
- ✓ Persistently high inflation rate
- ✓ Interest rates higher for a longer duration



ECONOMIC GROWTH VARIES ACROSS COUNTRIES AND TRENDING DOWN

Indonesia's economic growth is still strong, among others

ECONOMIC GROWTH IN SOME COUNTRIES (% YOY)



Source: Bloomberg, processed

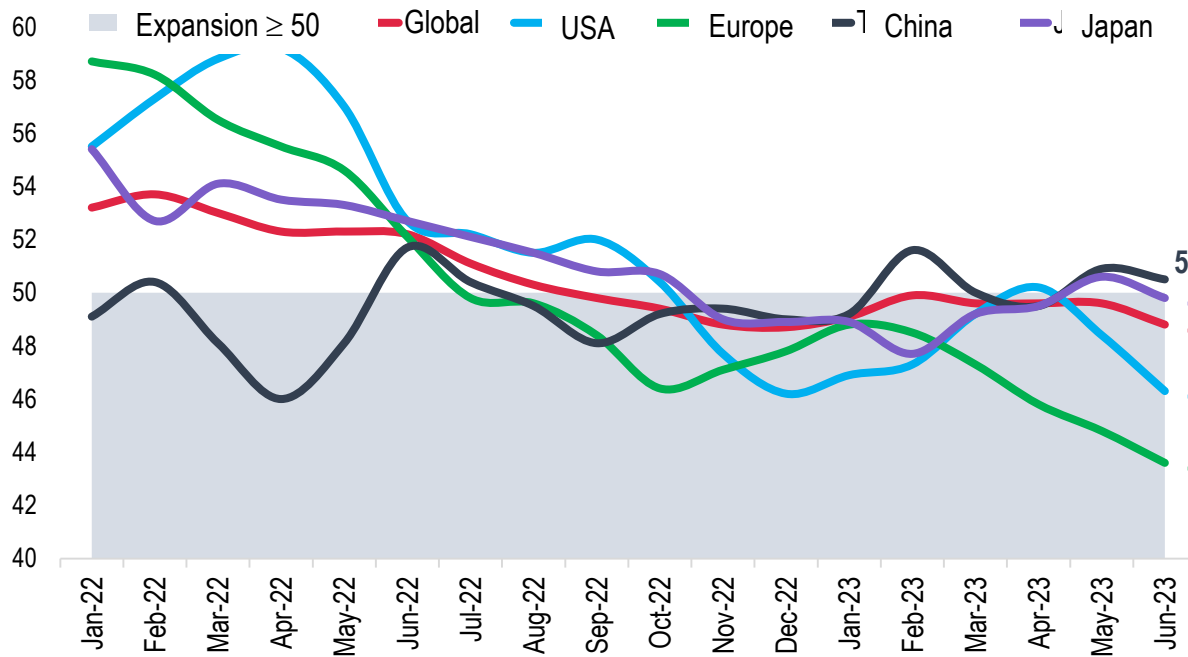


GLOBAL MANUFACTURING ACTIVITIES REMAINS IN THE CONTRACTIVE ZONE– INDONESIA CONTINUE TO PEAK UP

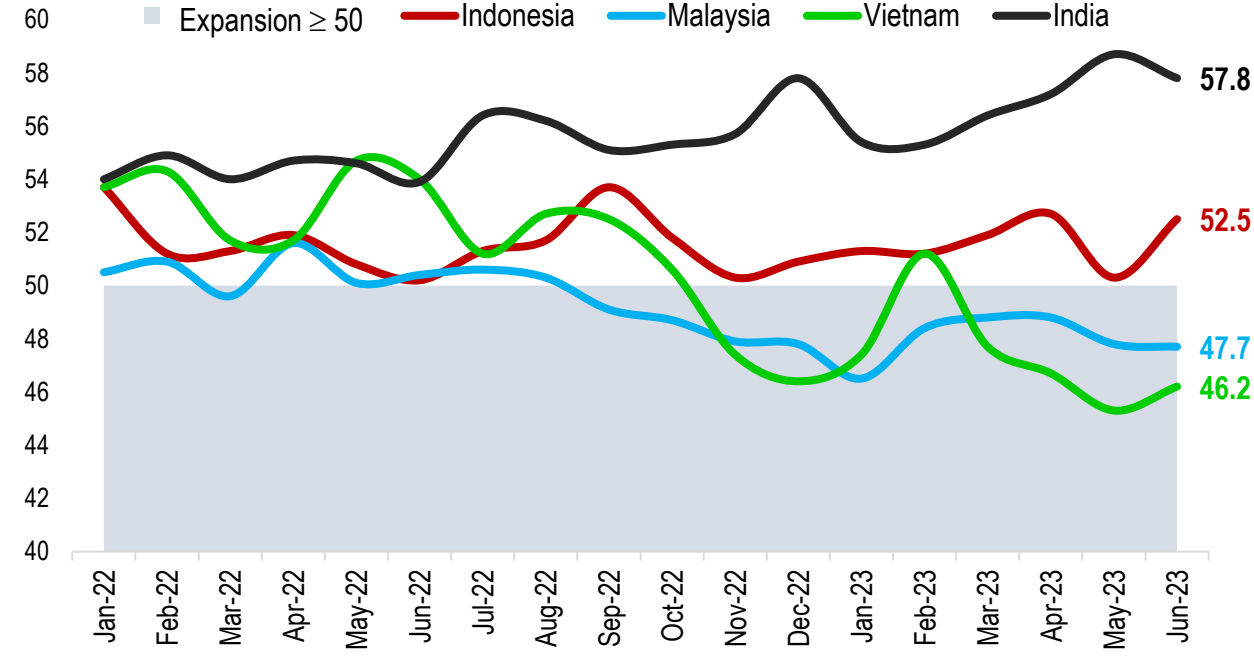
The manufacturing sector in the US and Europe remains weak, Indonesia's PMI remains in the expansion zone

PMI MANUFACTURE AS OF JUNE 2023

Major Countries

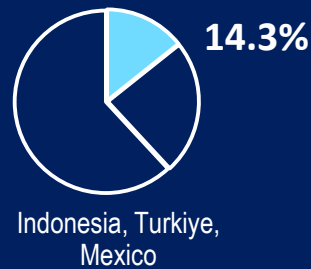


Asian Countries



Source: Bloomberg, IHS Markit

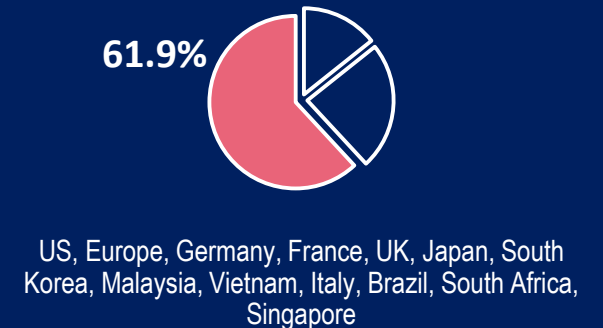
Expansion - Acceleration



Expansion Slows Down



Contraction



Distribution of Manufacturing PMI for June 2023 among G20 and ASEAN-6 countries (exclude SAU, ARG, CAN, and AUS)



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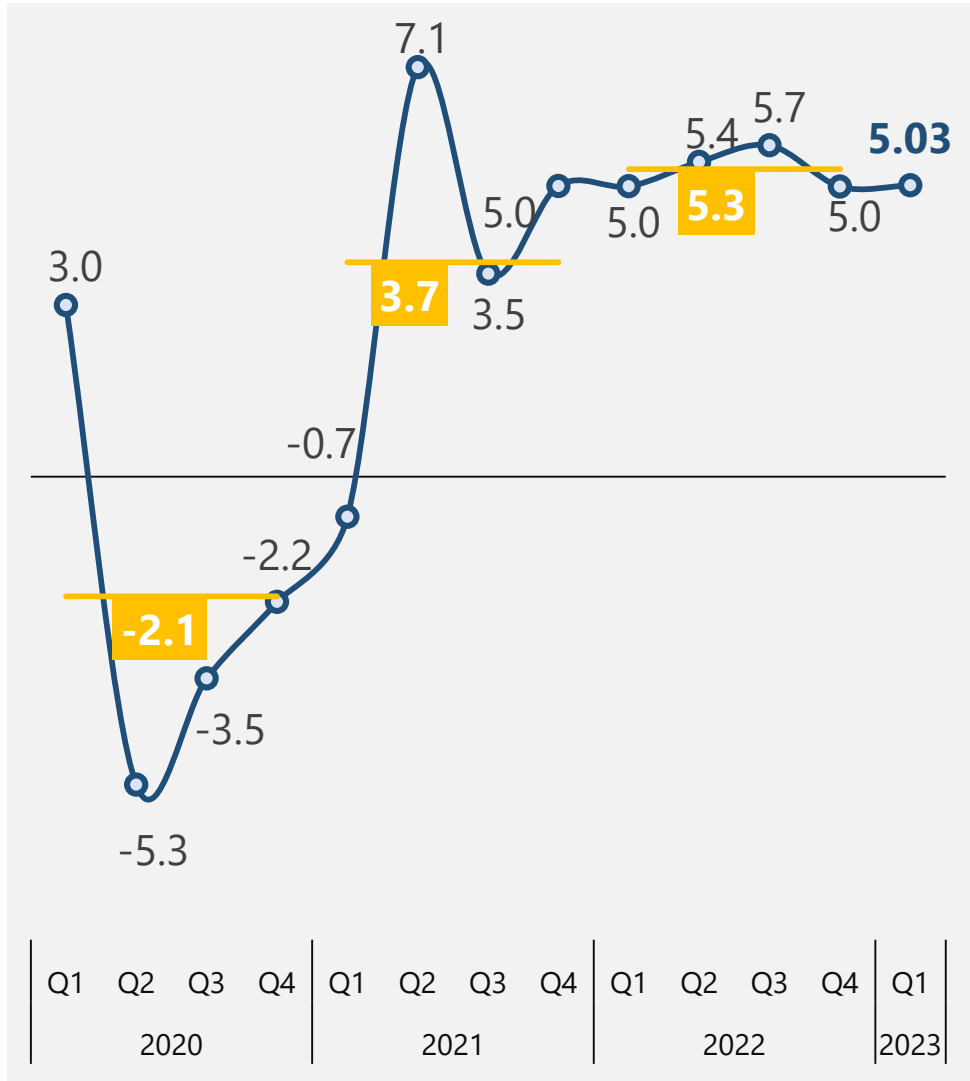


DOMESTIC UPDATES

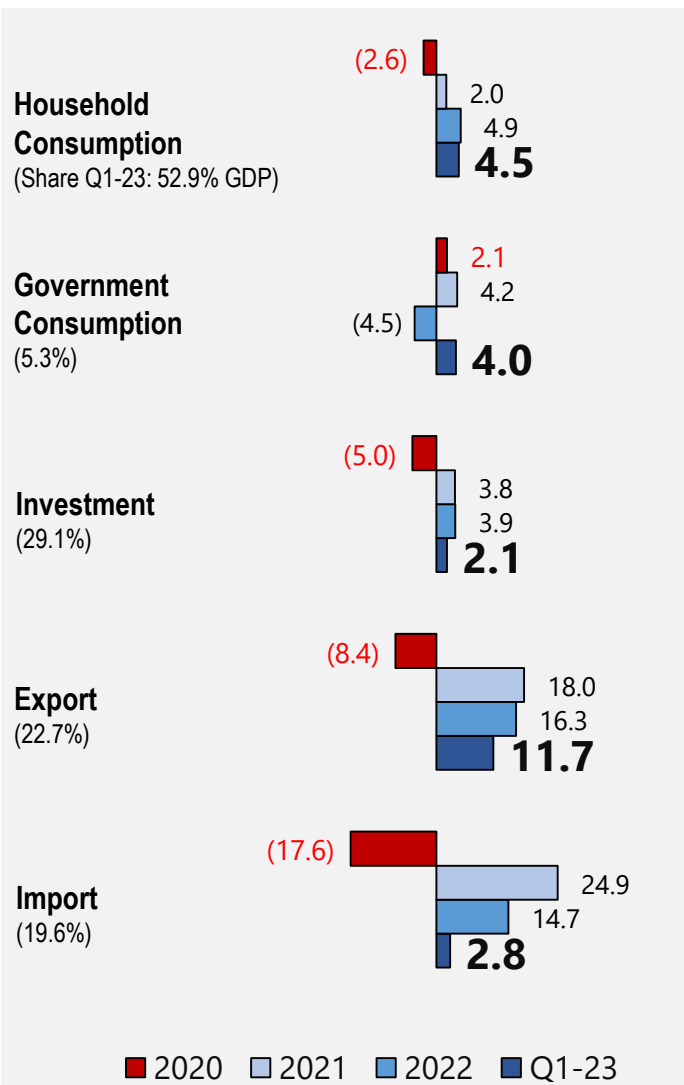


INDONESIA'S ECONOMIC RECOVERY RELATIVELY RESILIENCE

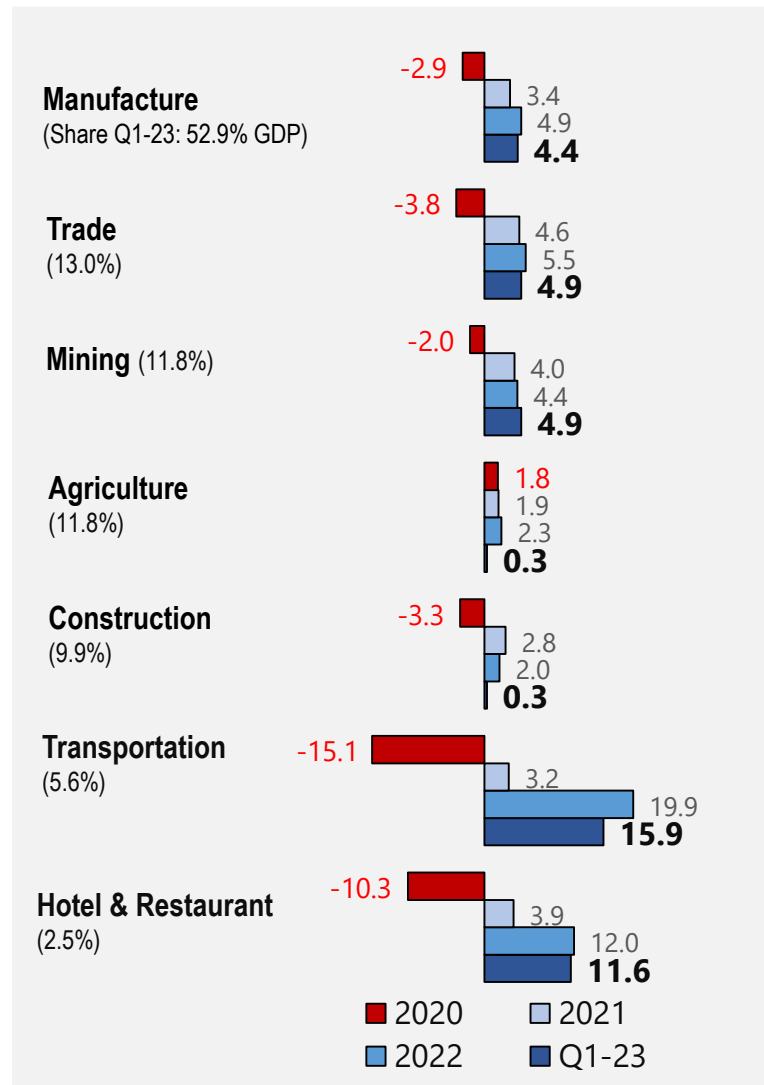
Economic Growth (% ,yoy)



Growth in Expenditure Components (%)

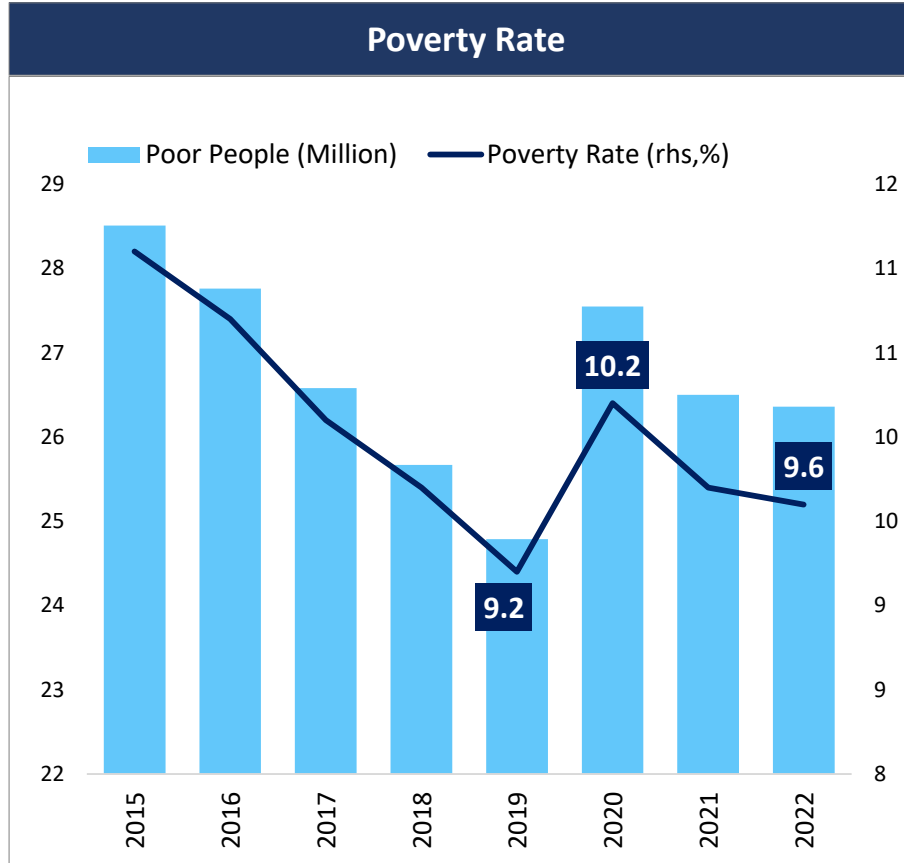
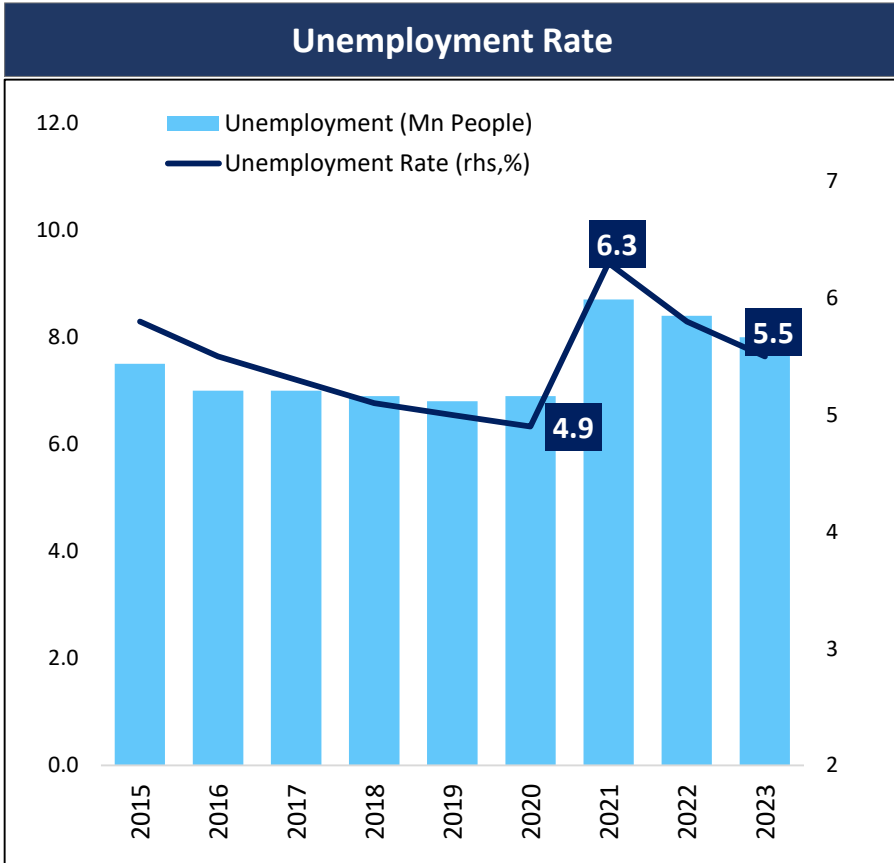


Growth in Production Components (%)





ECONOMIC RECOVERY HAS BEEN INCLUSIVE, REDUCING UNEMPLOYMENT AND POVERTY RATE



Accelerating economic growth will create more jobs, hence unemployment rate still above the pre pandemic level.

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



Various Social Assurances 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.

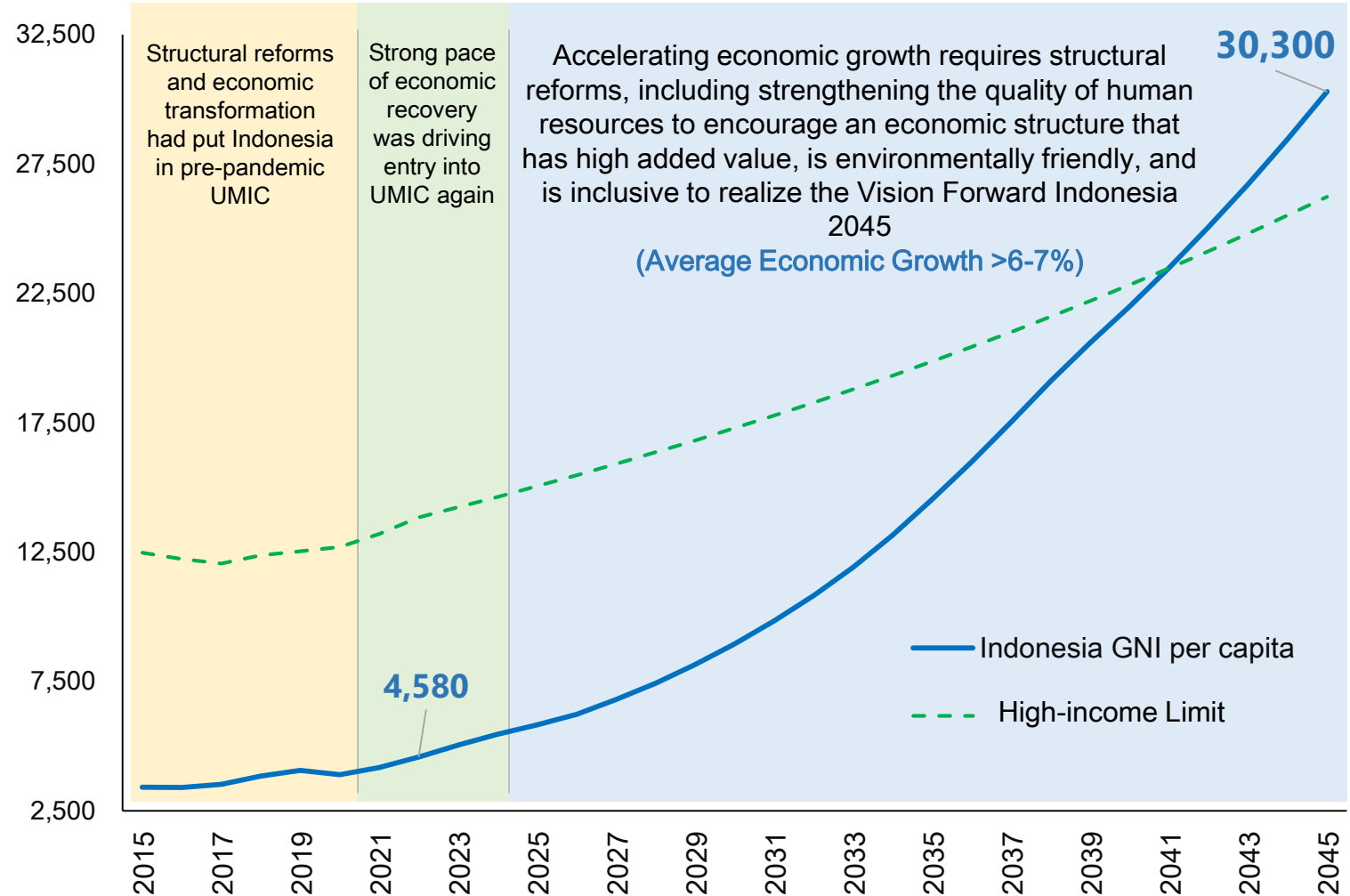
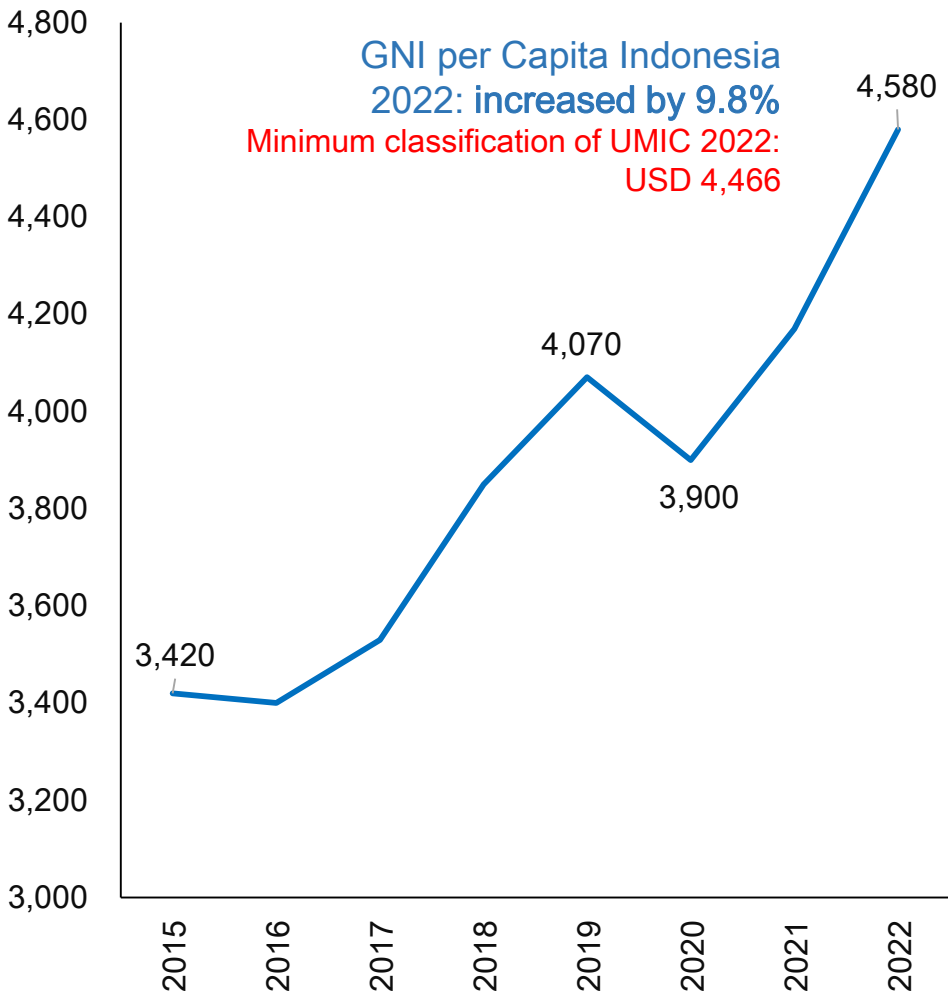


INDONESIA REGAINED ITS STATUS AS AN UPPER MIDDLE-INCOME COUNTRY (UMIC)

GNI per capita Indonesia increased by 9.8% di 2022, paving a vital milestone for realizing the vision of Indonesia 2045

GNI Per Capita (USD)

Source: World Bank, MoF's estimation

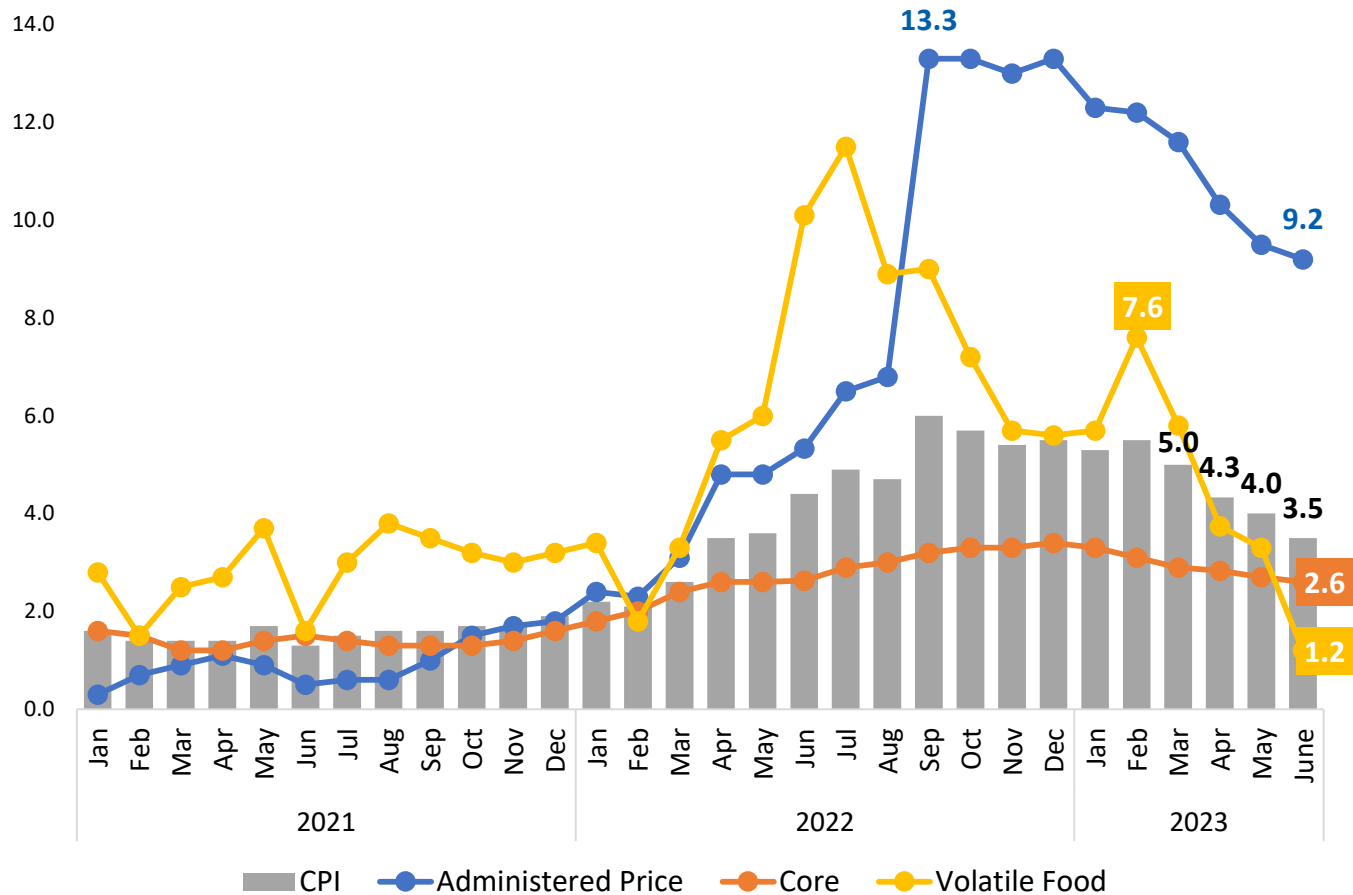




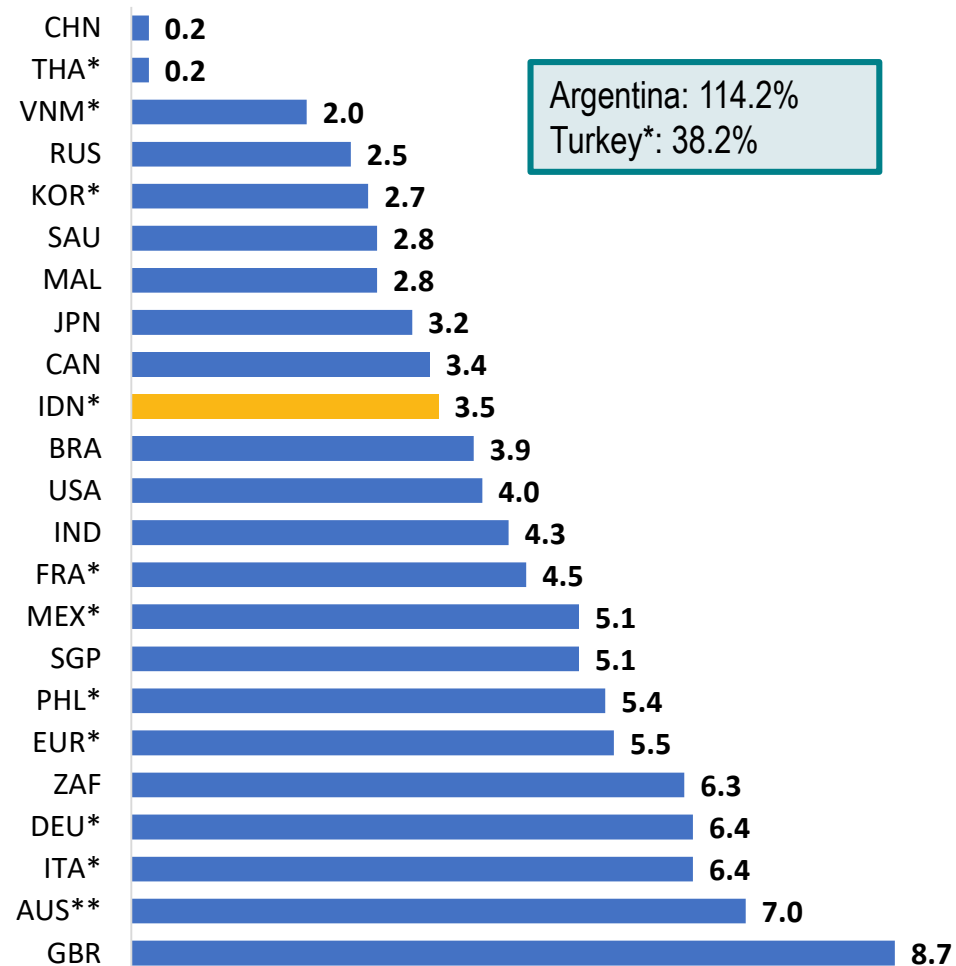
INDONESIA HAS SUCCESSFULLY ACHIEVED LOWER INFLATION QUICKLY

Mainly by successfully decrease food inflation during the Holiday season

INDONESIA'S INFLATIONARY RATE (% , YOY)



COUNTRIES' INFLATION MAY 2023 (% , YOY)



* June 2023

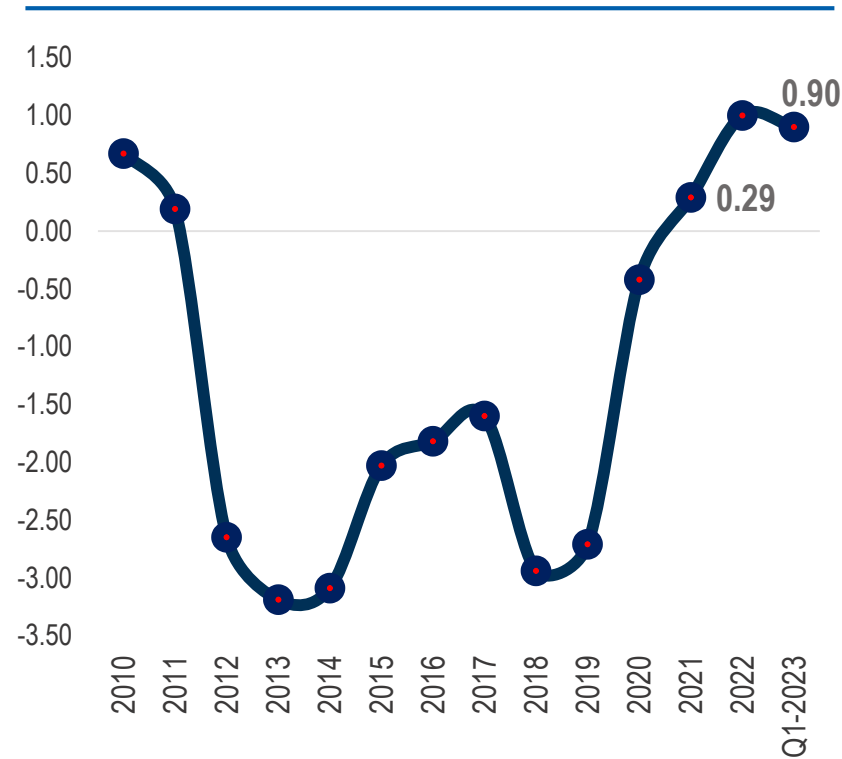
** March 2023



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)

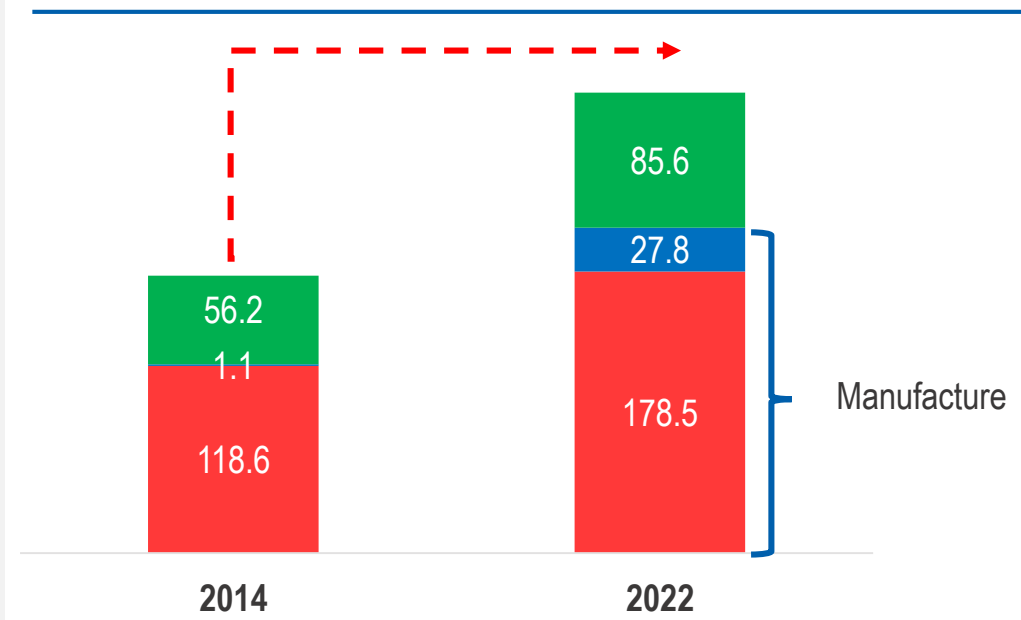
Investment & Market Access

(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)

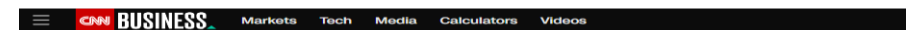


■ Manufacture* ■ Iron and Steel ■ Primary Sector**

*) Excluding Iron and Steel

**) Oil and Gas, Agriculture, and Mining

- 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.



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

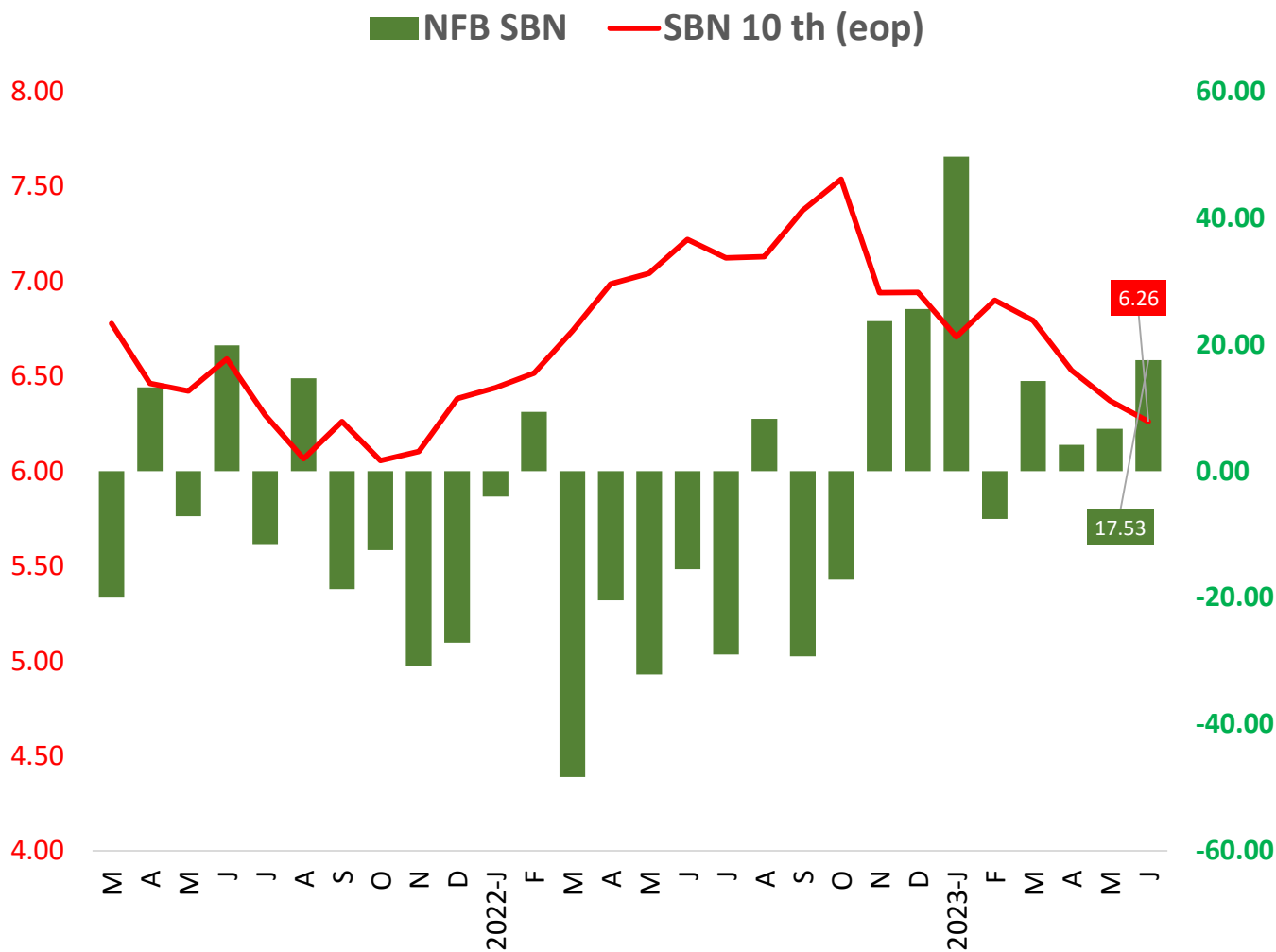
By Anna Cooban, CNN
Updated 3:42 AM EDT, Mon May 29, 2023





BOND MARKET STRENGTHEN WITH DECLINING TREND OF BOND YIELD

The Development of the 10-year Government Bond yield and NFB SBN



Real Yield

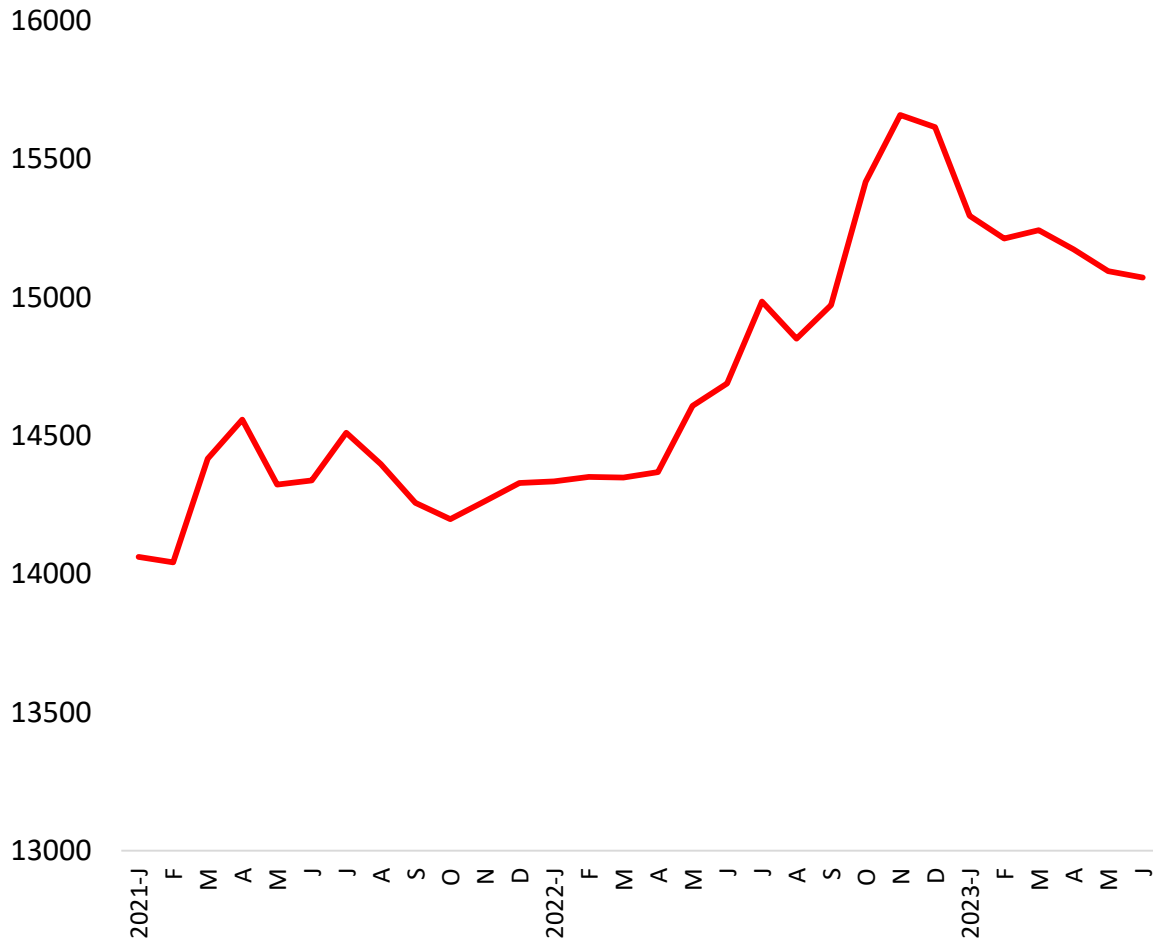
		Inflation	10Yr Yield	Real Yield
Jun-23	Philippines	5.40	5.40	0.00
Jun-23	Malaysia	2.80	3.71	0.91
Jun-23	Mexico	5.06	8.80	3.74
May-23	India	4.25	6.99	2.74
Jun-23	South Korea	2.70	3.28	0.58
Jun-23	Thailand	0.23	2.49	2.26
May-23	Russia	2.50	15.99	13.49
Jun-23	Indonesia	3.52	6.37	2.85
May-23	Brazil	3.94	11.57	7.63
Jun-23	Turkey	38.21	9.51	-28.70
May-23	South Africa	6.40	12.43	6.13

Source: CEIC

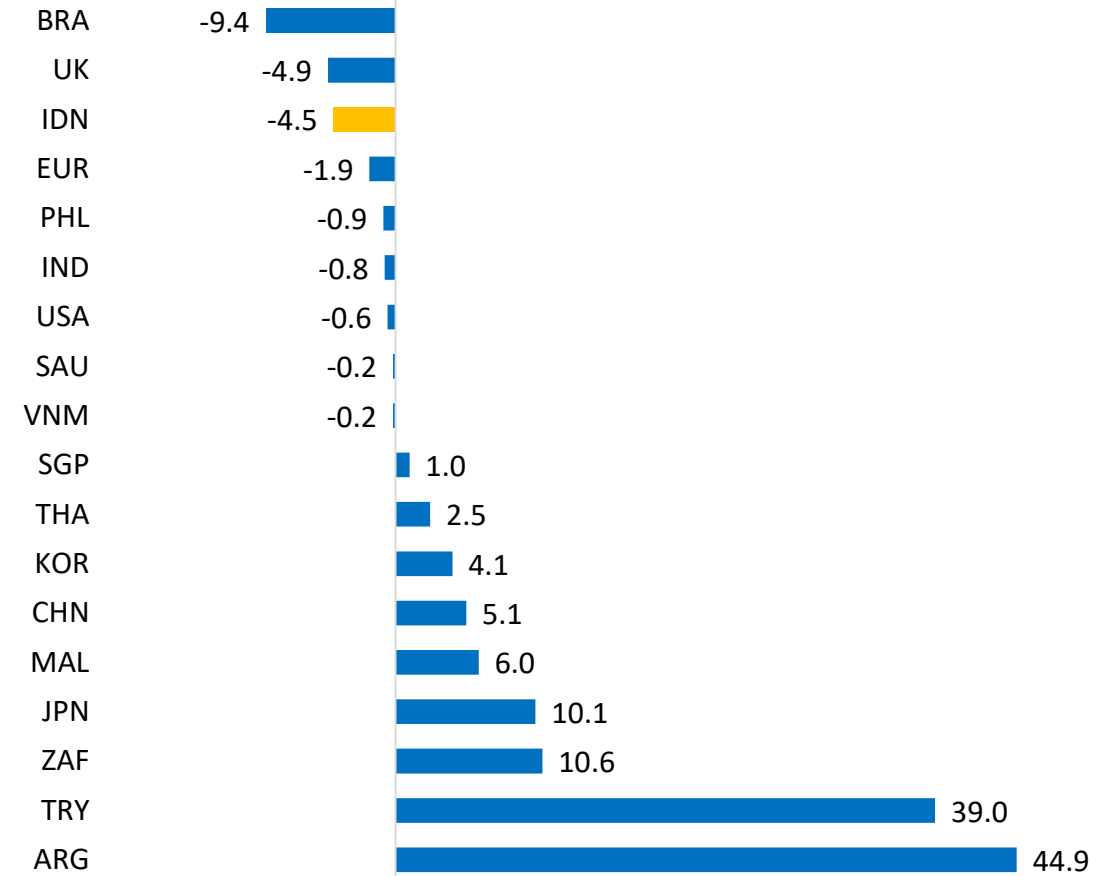


RUPIAH HAS BEEN RELATIVELY STABLE, COMPARE TO PEERS

Rupiah Exchange Rates Against USD



FX Changes Across Selected Countries (ytd,%)



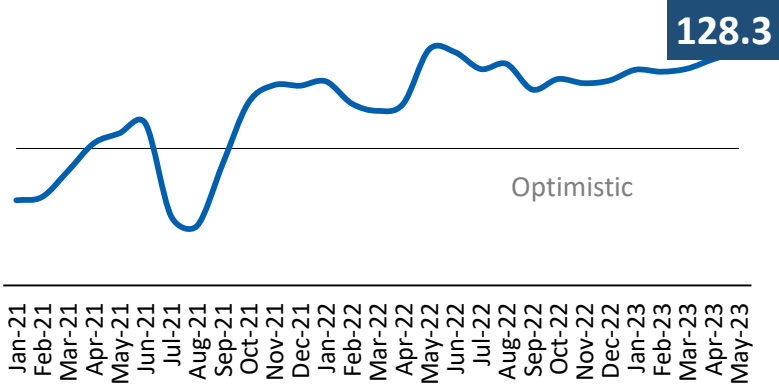
Note: - (Appreciation)



NEAR TERM GROWTH OUTLOOK REMAINS RELATIVELY STRONG

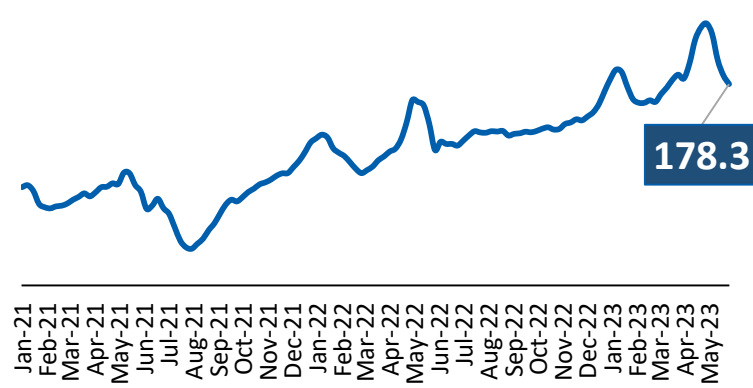
Consumer Confidence Index

The Consumer Confidence Index remains in the optimistic zone



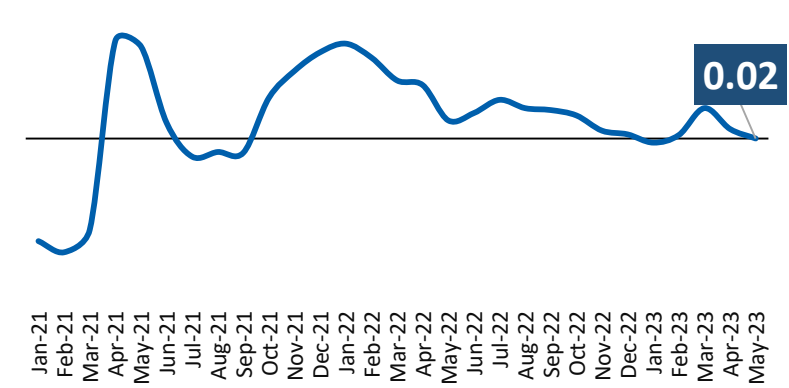
Mandiri Spending Index

Mandiri Spending Index Post-Eid Normalization



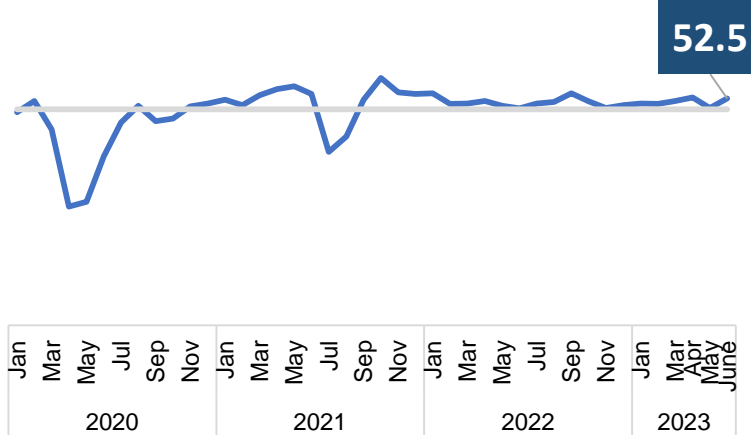
Retail Sales Index

Retail Sales Index growth is slowing down



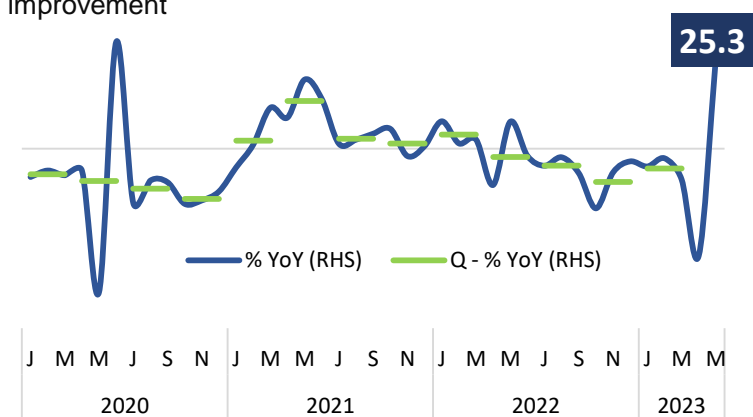
Manufacturing Purchasing Manager Index

Indonesia's PMI continues the expansion



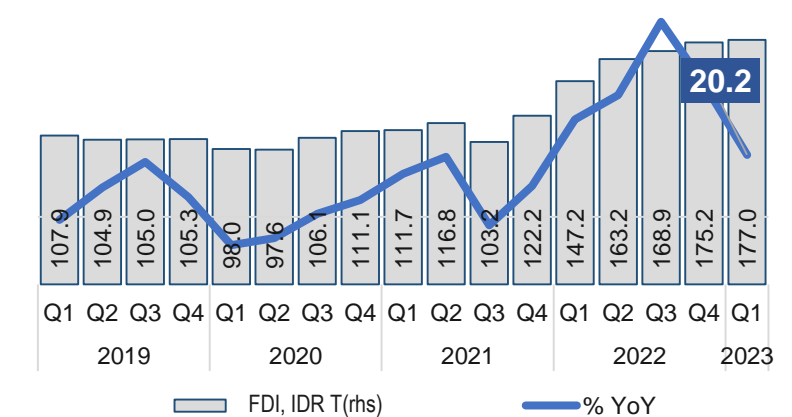
Cement Consumption

The Cement Consumption is showing indications of improvement



Foreign Direct Investment

Foreign Direct Investment grows quite strongly in Q1-23



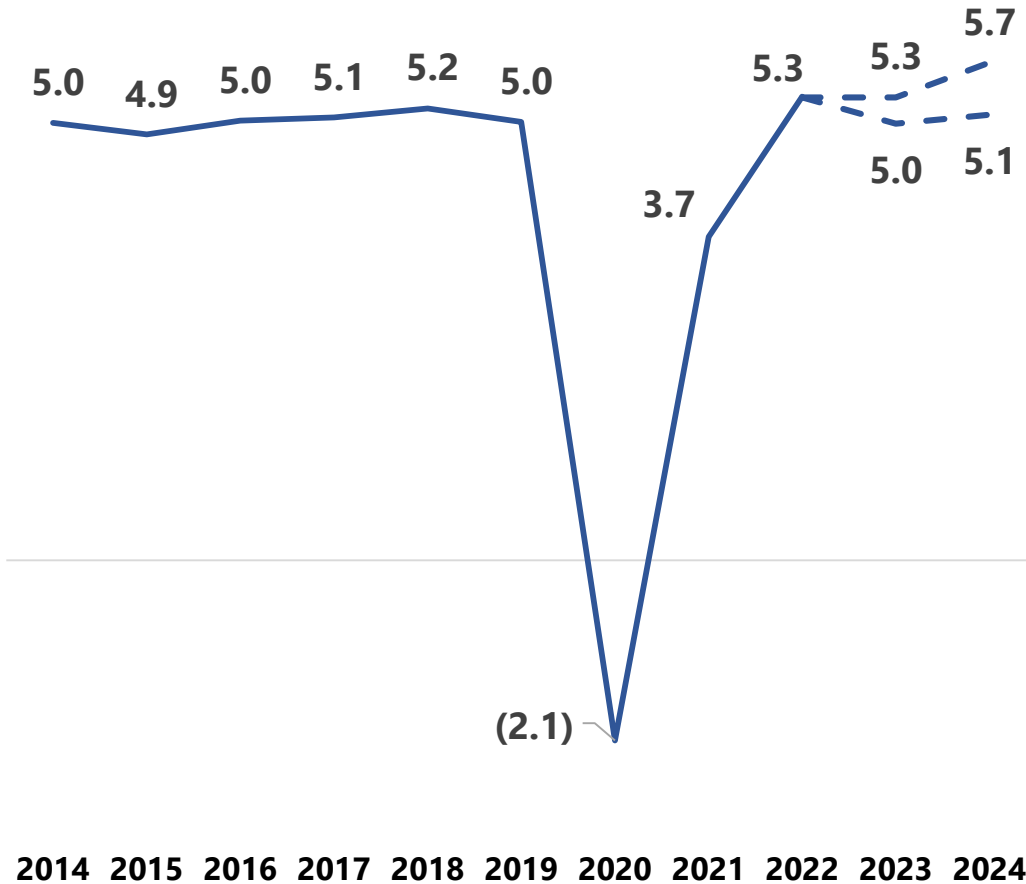


GROWTH IS EXPECTED TO REMAIN ROBUST IN 2023 AND 2024

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
IMF (WEO Apr)	5.0*	5.1
World Bank (GEP June)	4.9	4.9
Bloomberg Consensus (May)	4.9	5.0
OECD (Mar)	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



03

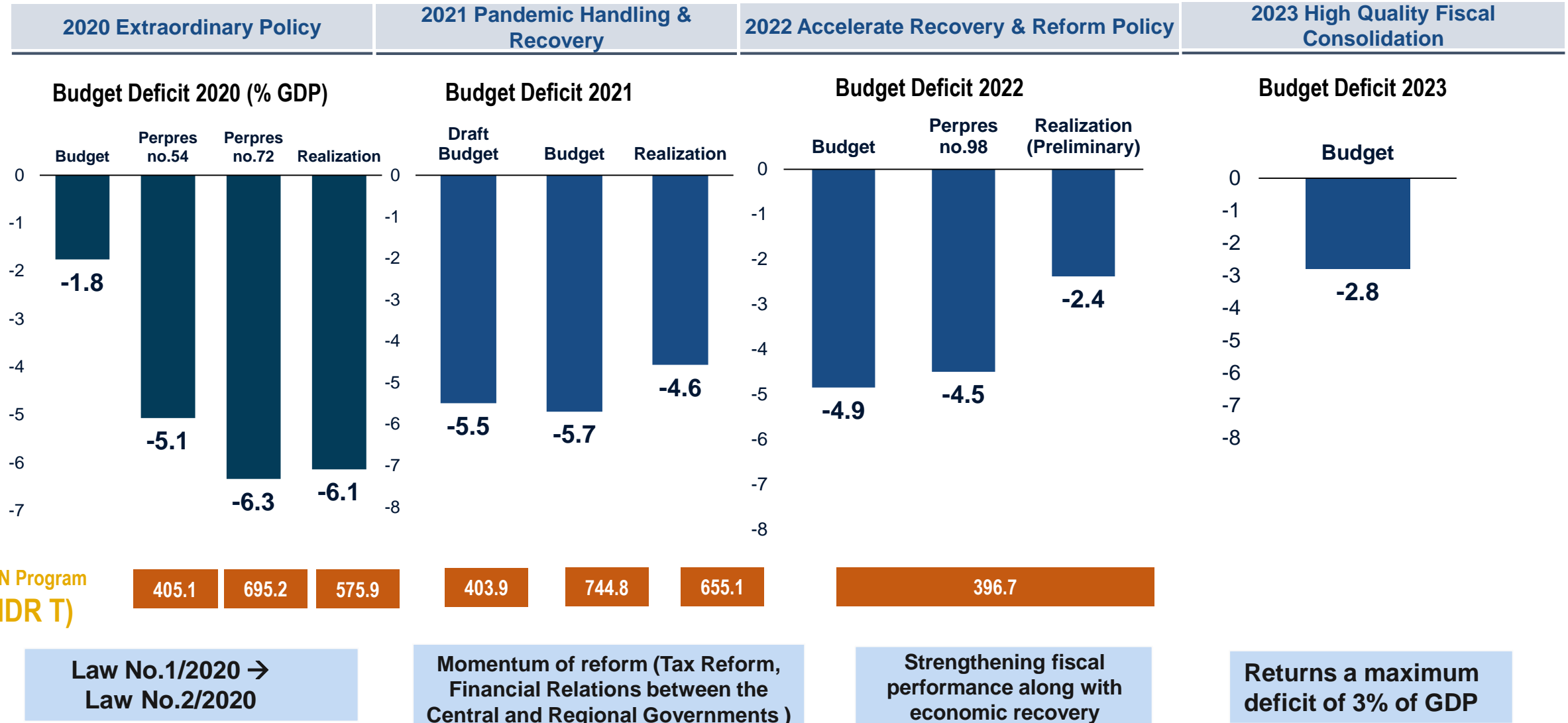


FISCAL PERFORMANCE



FISCAL POLICY HAS PLAYED CRITICAL ROLE AS A SHOCK ABSORBER IN DIFFICULT TIMES

Covid-19 measures, accelerating recovery, and supporting reforms





THE 2023 BUDGET WAS DESIGNED VERY PRUDENTLY AND CONSERVATIVELY

The budget deficit is expected to continue to be below 3 percent of GDP

Account (IDR Tn)	2021		2022			2023	
	Audited	Budget	Perpres 98/2022	Realization (Preliminary)	Growth ¹ (%)	Budget	Growth ² (%)
Revenue	2,011.4	1,846.1	2,266.2	2,635.8	30.6	2,463.6	(6.2)
Tax Revenue	1,547.9	1,510.0	1,784.0	2,034.5	31.4	2,021.2	(0.7)
Non Tax Revenue	458.5	335.6	481.6	595.6	28.3	441.4	(25.0)
Expenditure	2,786.4	2,714.2	3,106.4	3,096.3	10.9	3,061.2	(1.0)
Central Government Expenditure	2,000.7	1,944.5	2,301.6	2,280.0	13.7	2,246.5	(1.2)
Regional Transfer & Village Funds	785.7	769.6	804.8	816.2	3.9	814.7	(0.2)
Primary Balance	(431.6)	(462.2)	(434.4)	(74.1)	(81.9)	(156.8)	(101.0)
Surplus (Deficit)	(775.1)	(868.0)	(840.8)	(460.4)	(40.1)	(598.2)	(28.8)
<i>% to GDP</i>	<i>(4.57)</i>	<i>(4.85)</i>	<i>(4.50)</i>	<i>(2.35)</i>		<i>(2.84)</i>	
Financing	871.7	868.0	840.2	591.0	(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



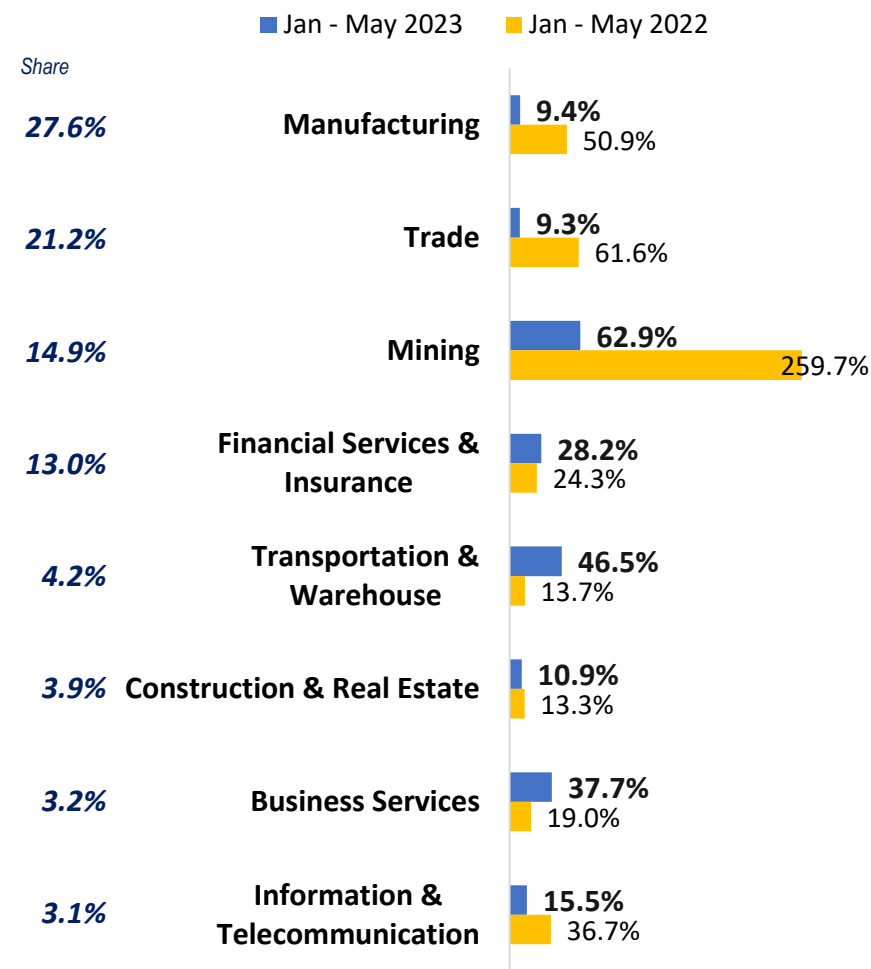
Gas Lifting
1.1 million bpd



UP TO MAY 2023, BUDGET OUTTURN REMAINED STRONG

Account (IDR tn)	2022			2023			
	Real. as of 31 May	% to Revised Budget	Growth (%)	Budget	Real. as of 31 May	% to Budget	Growth (%)
A. Revenue	1,070.1	47.2	47.3	2,463.0	1,209.3	49.1	13.0
I. Tax Revenue (DG Tax & Custom-Excise)	845.8	47.9	51.3	2,021.2	948.7	46.9	12.2
1. Tax	705.5	47.5	53.5	1,718.0	830.3	48.3	17.7
2. Custom & Excise	140.3	46.9	41.3	303.2	118.4	39.0	(15.6)
II. Non-Tax Revenue	224.2	46.5	33.7	414.4	260.5	59.0	16.2
B. Expenditure	938.2	30.2	(0.8)	3,061.2	1,005.0	32.8	7.1
I. Central Government	653.9	28.4	1.0	2,246.5	714.6	31.8	9.3
1. Line Ministries Spending	319.2	33.7	(11.3)	1,000.8	326.2	32.6	2.2
2. Non-Line Ministries	334.7	24.7	16.3	1,245.6	388.4	31.2	16.0
II. Regional Transfer & Village Funds	284.3	35.3	(4.6)	814.7	290.3	35.6	2.1
C. Primary Balance	298.6	(68.8)	542.8	(156.8)	390.5	(249.1)	30.7
D. Surplus (Deficit)	132.0	(15.7)	160.2	(598.2)	204.3	(34.2)	54.8
% to GDP	0.67			(2.84)	0.97		
E. Financing	83.6	10.0	(73.1)	598.2	118.4	19.8	41.6

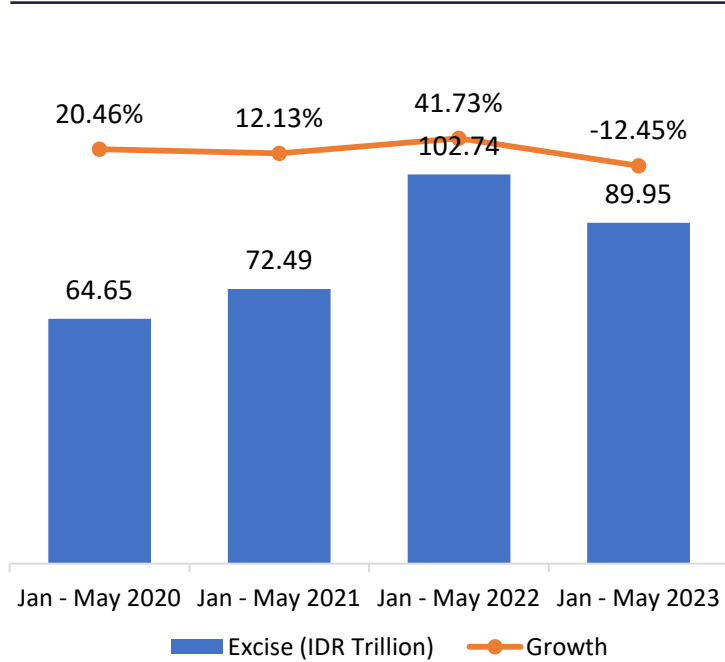
Positive Growth in Main Sector Tax Revenue (YoY)



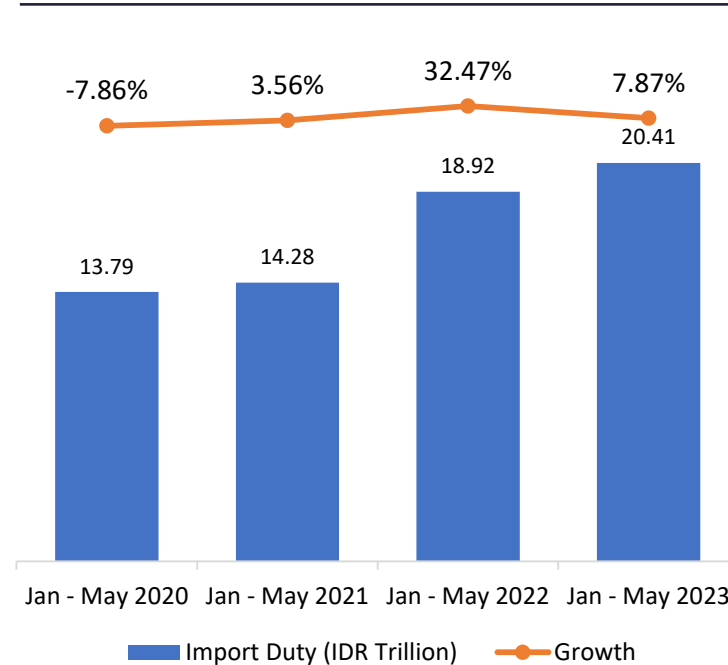


SLOWING CUSTOMS AND EXCISE REVENUES IMPACTED BY DECLINING OUTWARD DUTIES AND TAXES COLLECTION

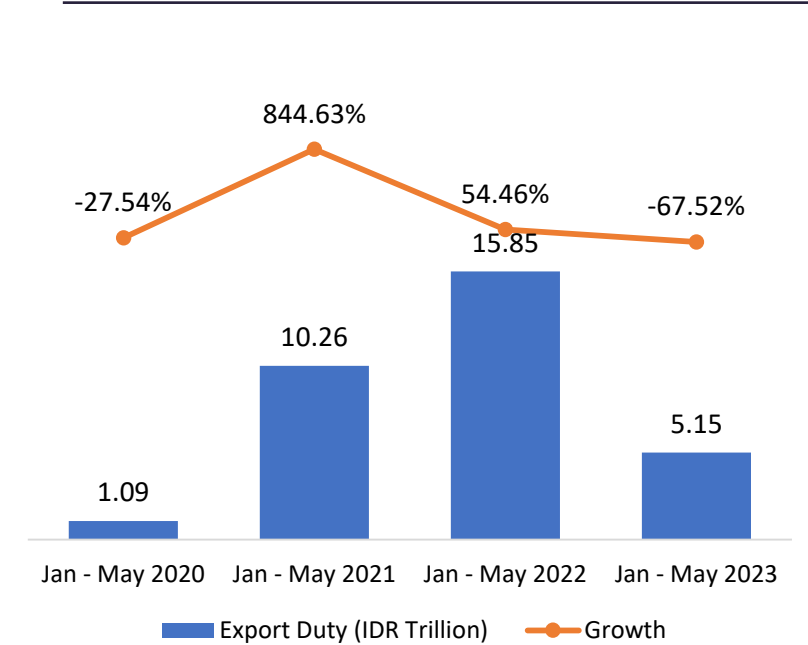
Excise Revenue



Import Duty Revenue



Export Duty Revenue



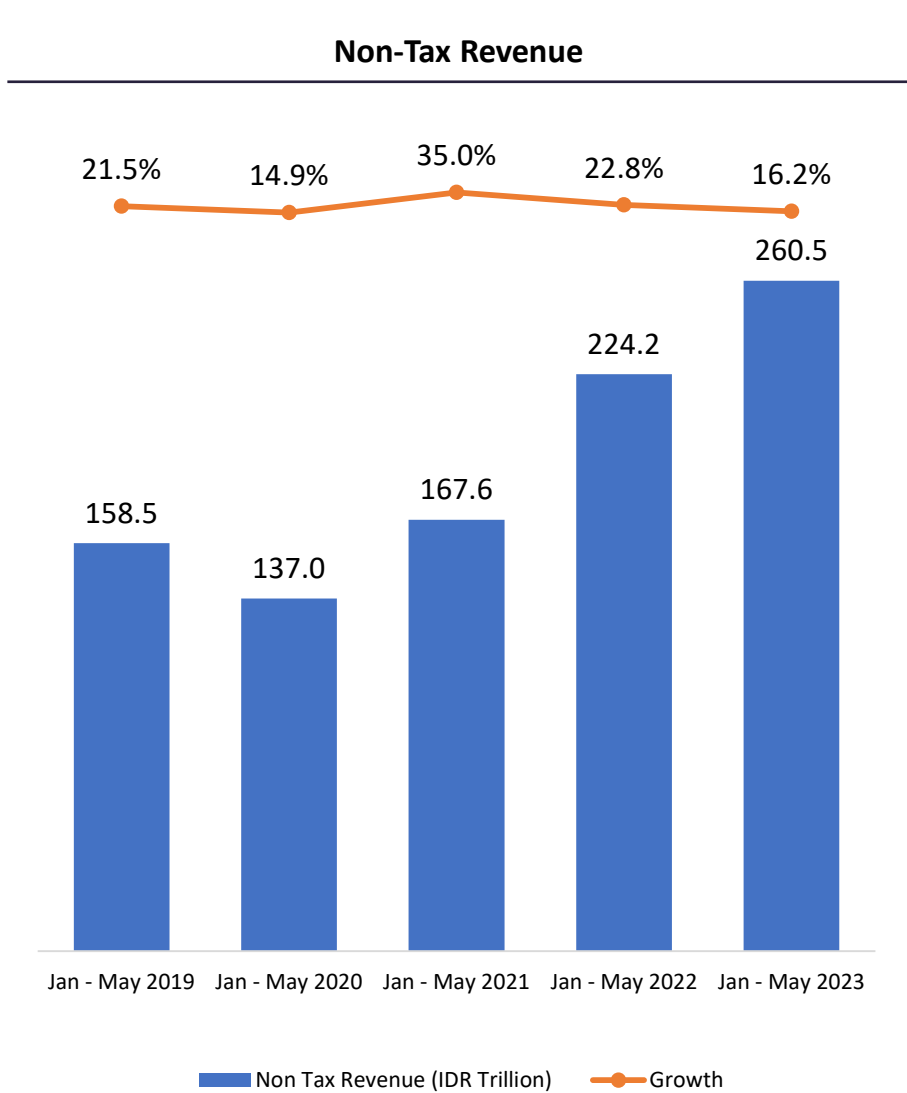
Decline in Tobacco Excise Revenues Due to Decreased Production in March 2023 Compared to Last Year, Resulting from the Previous Increase in Value Added Tax (VAT).

Growth in Import Duty Performance driven by, among others, Increased Import of Key Commodities such as Spare Parts, Basic Iron and Steel, and Mining Machinery.

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

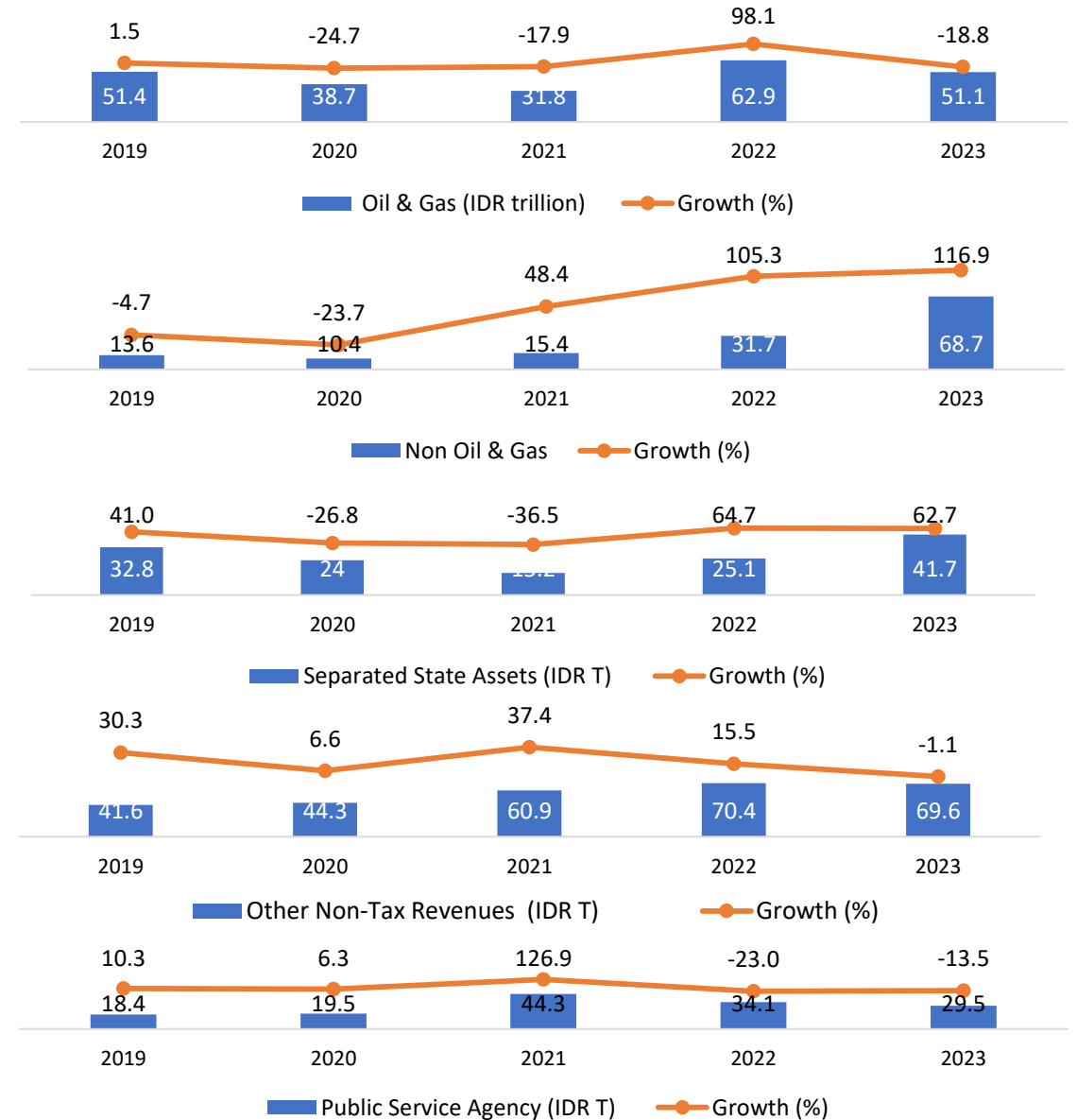


UNTIL MAY 31, 2023, THE REALIZATION OF NON-TAX STATE REVENUE (PNBP) HAS EXPERIENCED AN UPWARD TREND



Source: Ministry of Finance, YTD 31 May 2023

- Oil & Gas Revenue
- Non-Oil & Gas Revenue
- Separated State Asset
- Other Non-Tax Revenues
- Public Services Agency (BLU) Revenue

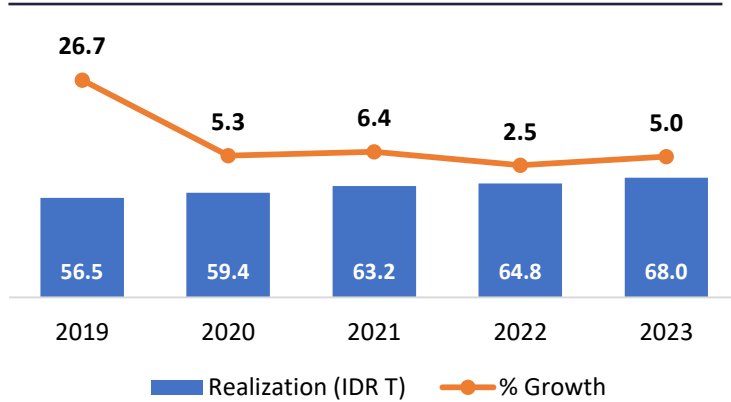




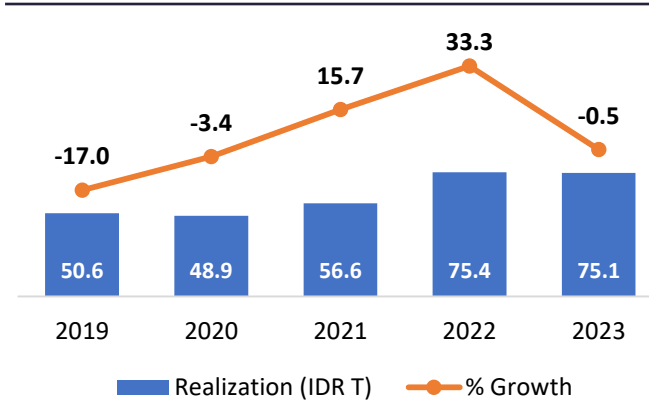
GOVERNMENT MAINTAINS FOCUS ON PRIORITY SPENDING

Enhanced central government spending for direct community benefits

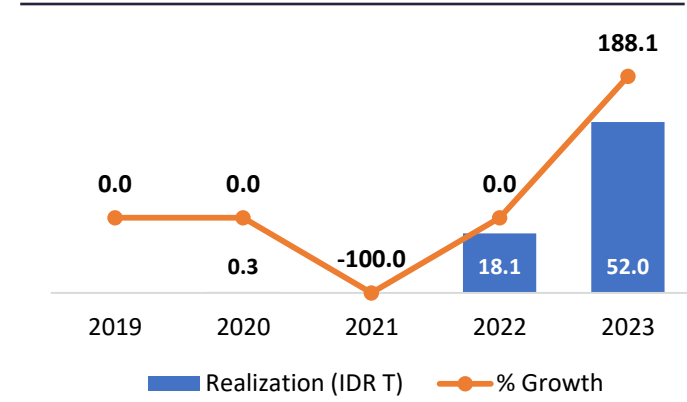
Pension Benefit



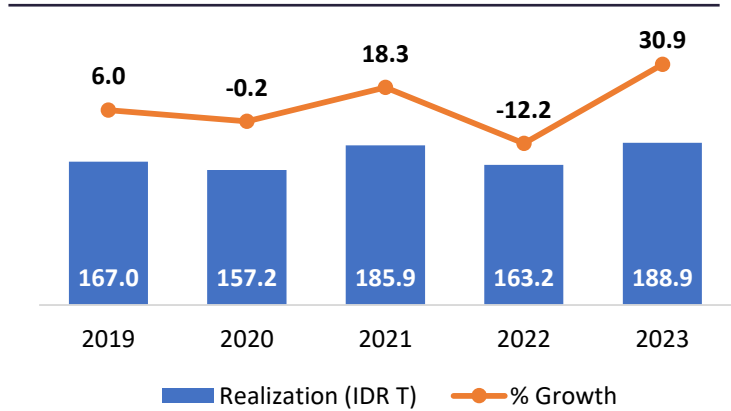
Subsidy



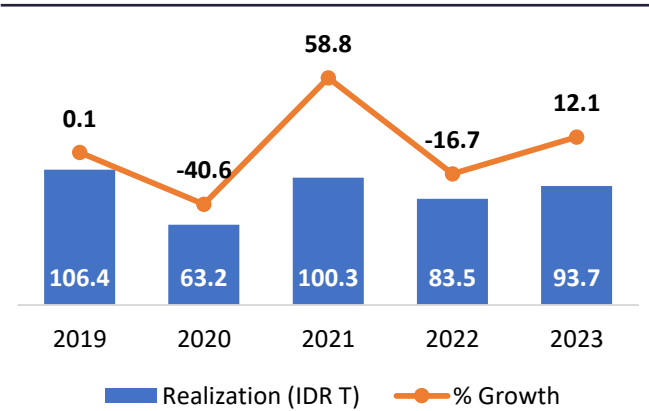
Compensation



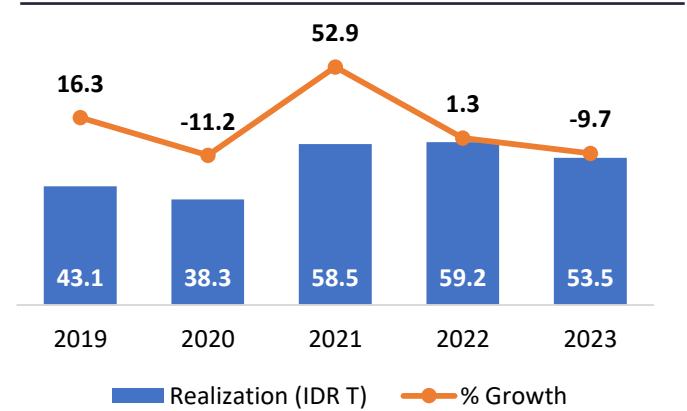
Education Spending



Infrastructure Spending



Health Spending

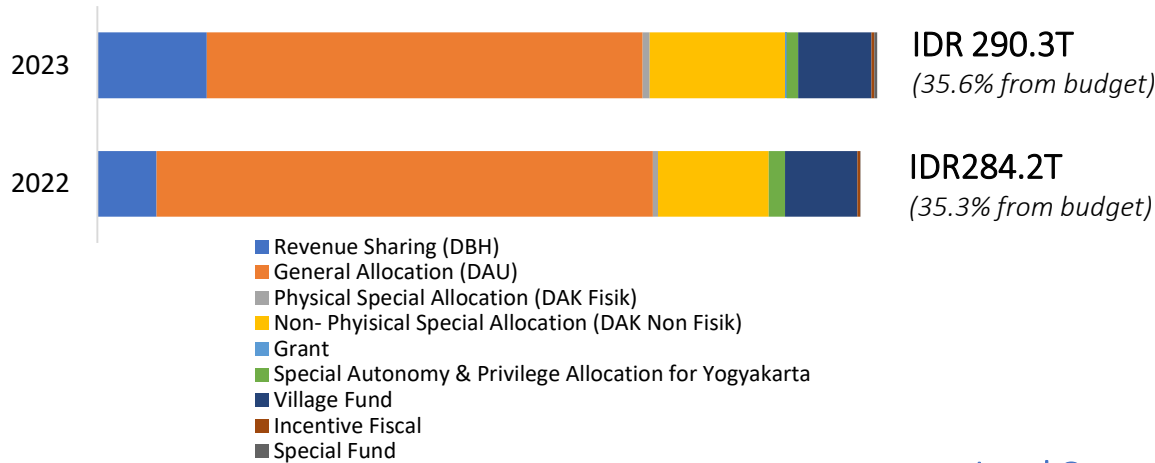




INCREASED TRANSFER TO REGIONS WITH IMPROVED GOVERNANCE

Transfer to Region Fund

(January – May)

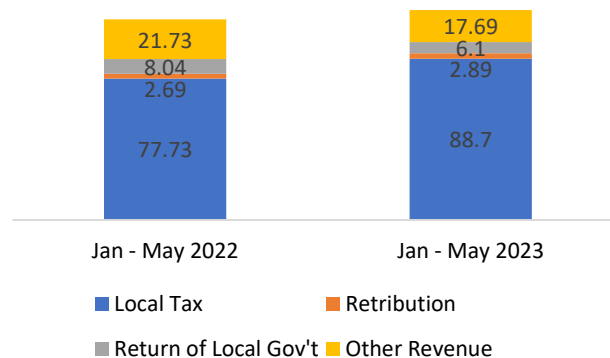


- Transfer to the region supports regional funding and infrastructure development in areas such as education, healthcare, irrigation, water supply, agriculture, transportation, tourism, economic growth, environment, and rural development.
- The distribution of transfers to the region increased to IDR 290.3 trillion (35.6%) compared to last year, primarily due to higher allocations from sharing funds of Cigarette Excise, Mining, and Oil & Gas.

Local Government Performance

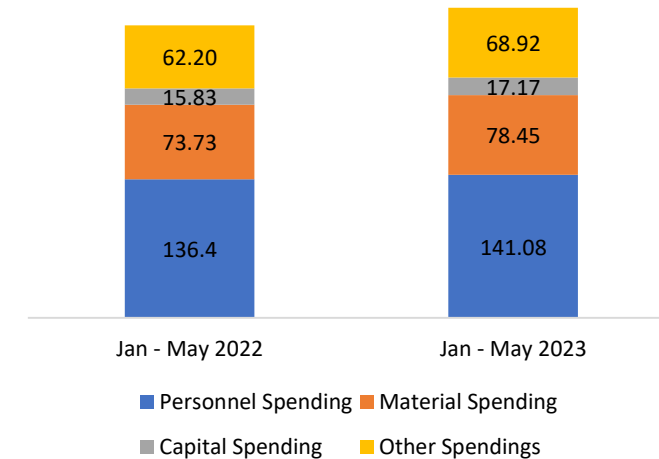
REVENUE

Local tax and retribution performance improved by 14.11% (YoY). Local gov't revenue is primarily driven by Local Taxes (76.9%) and other legitimate PAD (15.3%), while Separate Local Financial Management Results and Local Retribution contribute 5.3% and 2.5% respectively.



SPENDING

Budget expenditure performance grew by 6.06% (YoY) due to improved absorption and delayed transactions. Sustaining this positive realization until year-end is crucial.

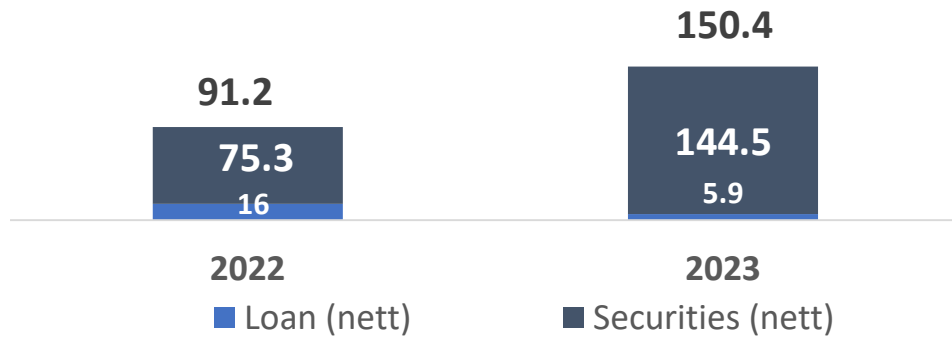




AS OF MAY 2023, BUDGET FINANCING HAS BEEN MAINTAINED WITHIN SAFE LIMITS

while remaining vigilant towards the volatility of global financial markets and the availability of government liquidity

Financing Realization Up To 30 April



Domestic Loan (Net) IDR 2.31 T

- Domestic Loan Withdrawal (Gross) **IDR 3.12T**
- Domestic loan principal installment financing **IDR (0.81T)**

Foreign Loan (Net) IDR 3.57 T

- Foreign Loan Withdrawal (Gross) **IDR 38.20T**
- Foreign loan principal installment financing **IDR (34.63T)**

Accelerate Investment in Priority Sectors for The Welfare of The Society



Housing Financing Liquidity Facility IDR 85.78T(Total Fund)

As of May 31, 2023, a total of 82,361 FLPP (Housing Financing Liquidity Facility) homes have been disbursed to low-income communities across 380 cities/regencies, with a total value of IDR 9.21 trillion.



State Asset Management Agency

As of May 2023, funding amounting to IDR122.39 trillion has been allocated for national strategic projects, including toll roads, dams, ports, irrigation, water supply, railway lines, the national capital, and national strategic tourism areas.



Education Fund Management Agency (LPDP) IDR 8T (2023 Funding Target)

Total Endowment Find as of May 2023 IDR 134.11T



International Development Cooperation Fund (LDKPI)

Financing LDKPI by IDR 2T



MINISTRY OF FINANCE
REPUBLIC OF INDONESIA

04

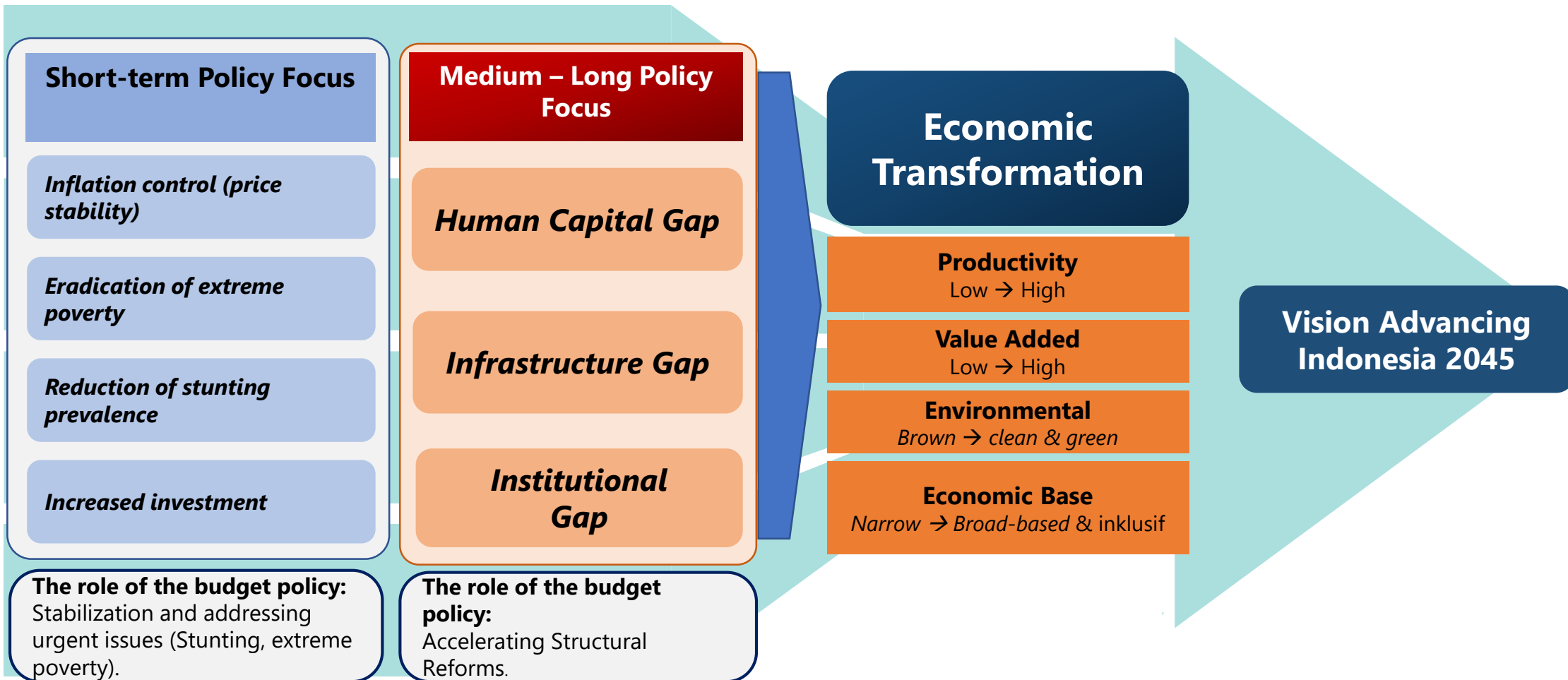


2024 FISCAL POLICY



MACROECONOMIC AND FISCAL FRAMEWORK FOR THE 2024 BUDGET

Fiscal Policy Theme 2024: *Accelerating Inclusive and Sustainable Economic Transformation.*





PRELIMINARY MACROECONOMIC ASSUMPTIONS FOR THE 2024 BUDGET

Macroeconomics Assumptions		2022	2023		2024
		Realization	Budget	Outlook	KEM PPKF*
	Economic Growth (% , yoy)	5.3	5.3	5.0 – 5.3	5.1 – 5.7
	Inflation (% , ytd)	5.51	3.6	2.0 – 4.0	1.5 – 3.5
	Exchange Rate (IDR/US\$)	14,871	14,800	14,900 – 15,400	14,700 – 15,200
	10Y T-Bonds Rate (%)	6.96	7.9	6.73 – 7.05	6.49 – 6.91
	ICP (USD/barrel)	97.09	90	80 – 85	75 – 80
	Oil Lifting (thousand bph)	612	660	610 – 640	615 – 640
	Gas Lifting (thousand bsmph)	953	1,100	950 – 1,100	1,030 – 1,036

Development Targets and Indicators				
	Poverty (%)	9.57	7.5 – 8.5	6.5 – 7.5
	Gini Ratio	0.381	0.375 – 0.378	0.374 – 0.377
	Unemployment (%)	5.86	5.3 – 6.0	5.0 – 5.7
	HDI	72.91	73.31 – 73.49	73.99 – 74.02
	Farmer's Exchange Rate	107.33	105 - 107	105 - 108
	Fishermen's Exchange Rate	106.45	107 - 108	107 - 110

Source: Ministry of Finance

note: KEM PPKF : Macroeconomics Framework and Principles of Fiscal Policy (the numbers have been approved by parliament)

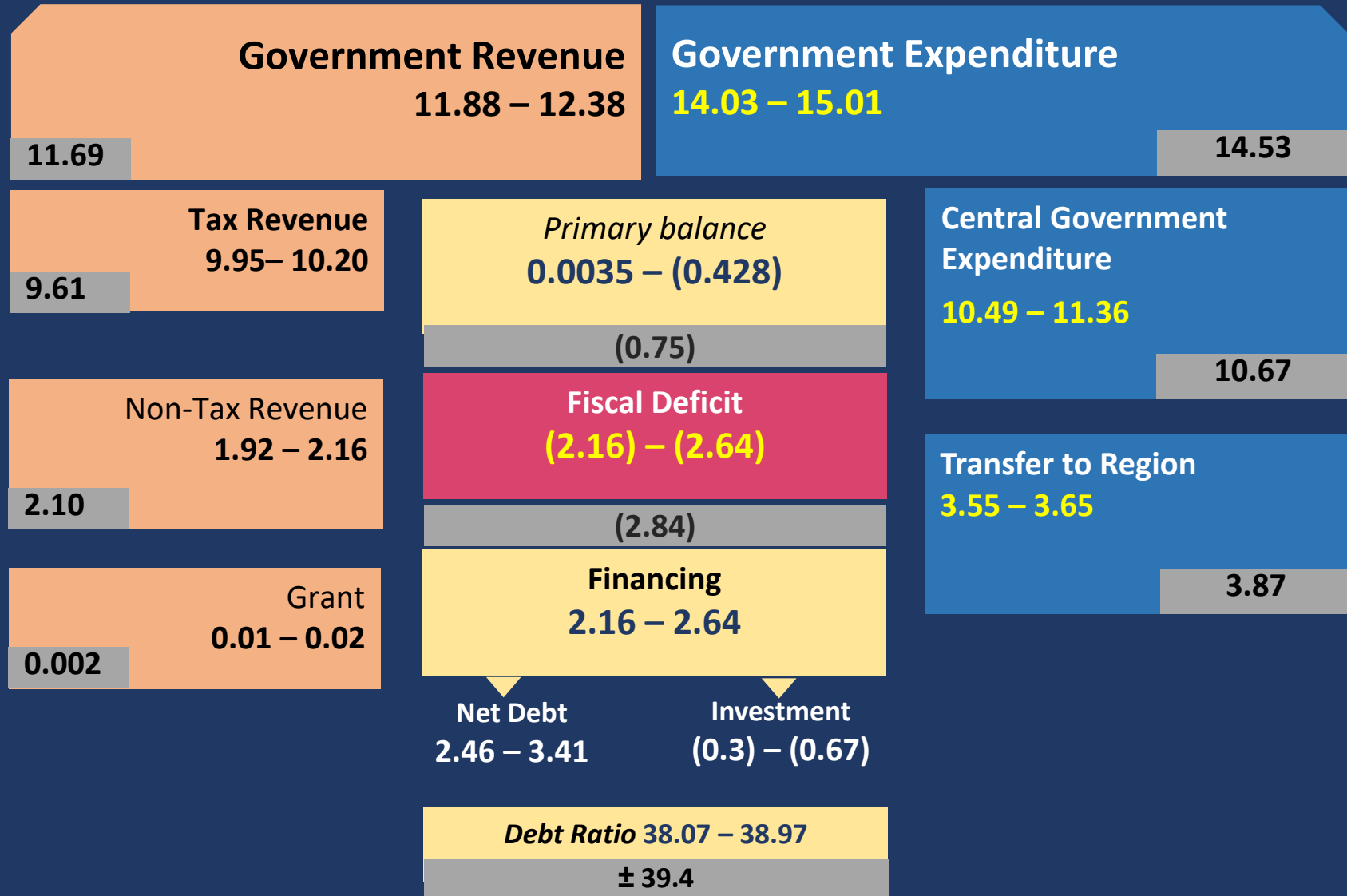


PRELIMINARY 2024 BUDGET POSTURES

Focuses on using the state budget to expedite the inclusive and sustainable economic transformation

2024 TARGET (% of GDP)

2023 Budget (% of GDP)





THANK YOU

FISCAL POLICY AGENCY, MINISTRY OF FINANCE,
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