



MINISTRY OF FINANCE
REPUBLIC OF INDONESIA

RECENT MACROECONOMIC AND FISCAL UPDATE

MINISTRY OF FINANCE
July 2023



The Team

Investor Relation Unit

Abdurohman
Director for Center of Macroeconomic Policy

Rahadian Zulfadin
Senior Analyst

Putri Rizki Yulianti
Analyst

Innes Clara Shinta
Staff

Bagus Handoko
Staff



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01

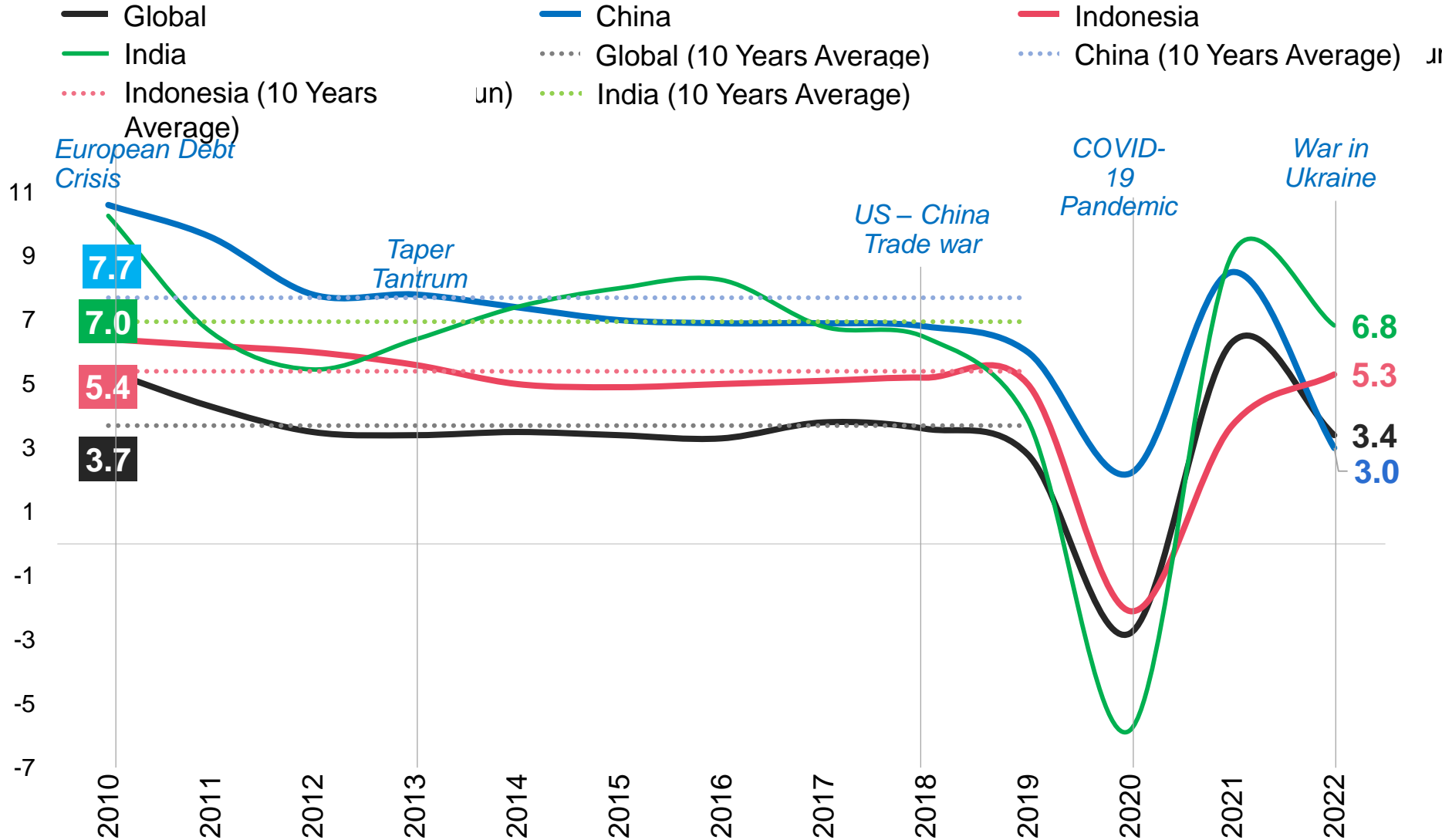


GLOBAL UPDATE & RISKS



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

Economic Growth (% yoy)



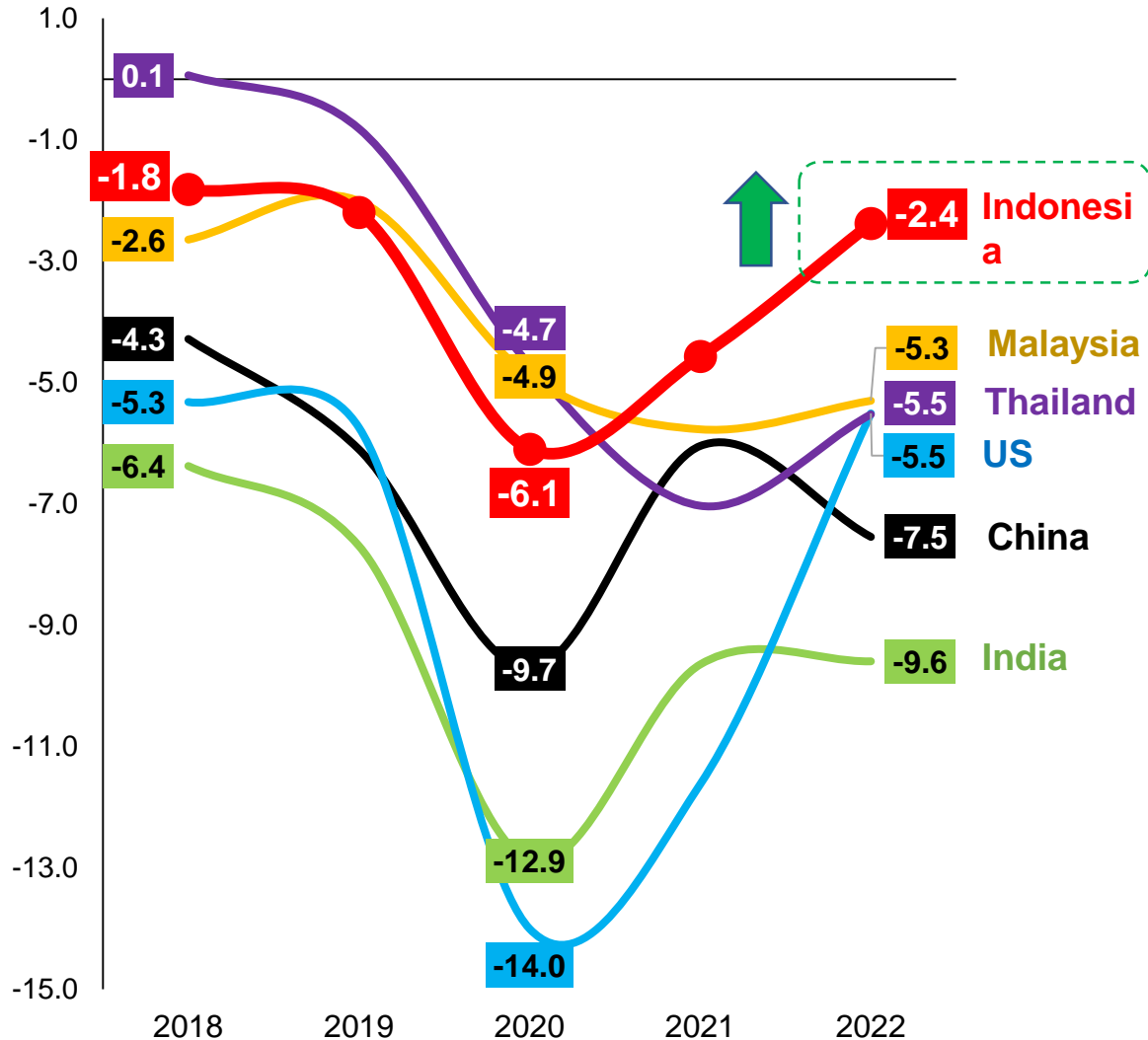
- The economies of Indonesia, China, and India have consistently grown above global growth.
- Following the global financial crisis 2008, the global economy slowed down, exacerbated by the onset of the US-China trade war in 2017.
- The Covid-19 pandemic caused a deep global contraction. Nonetheless,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



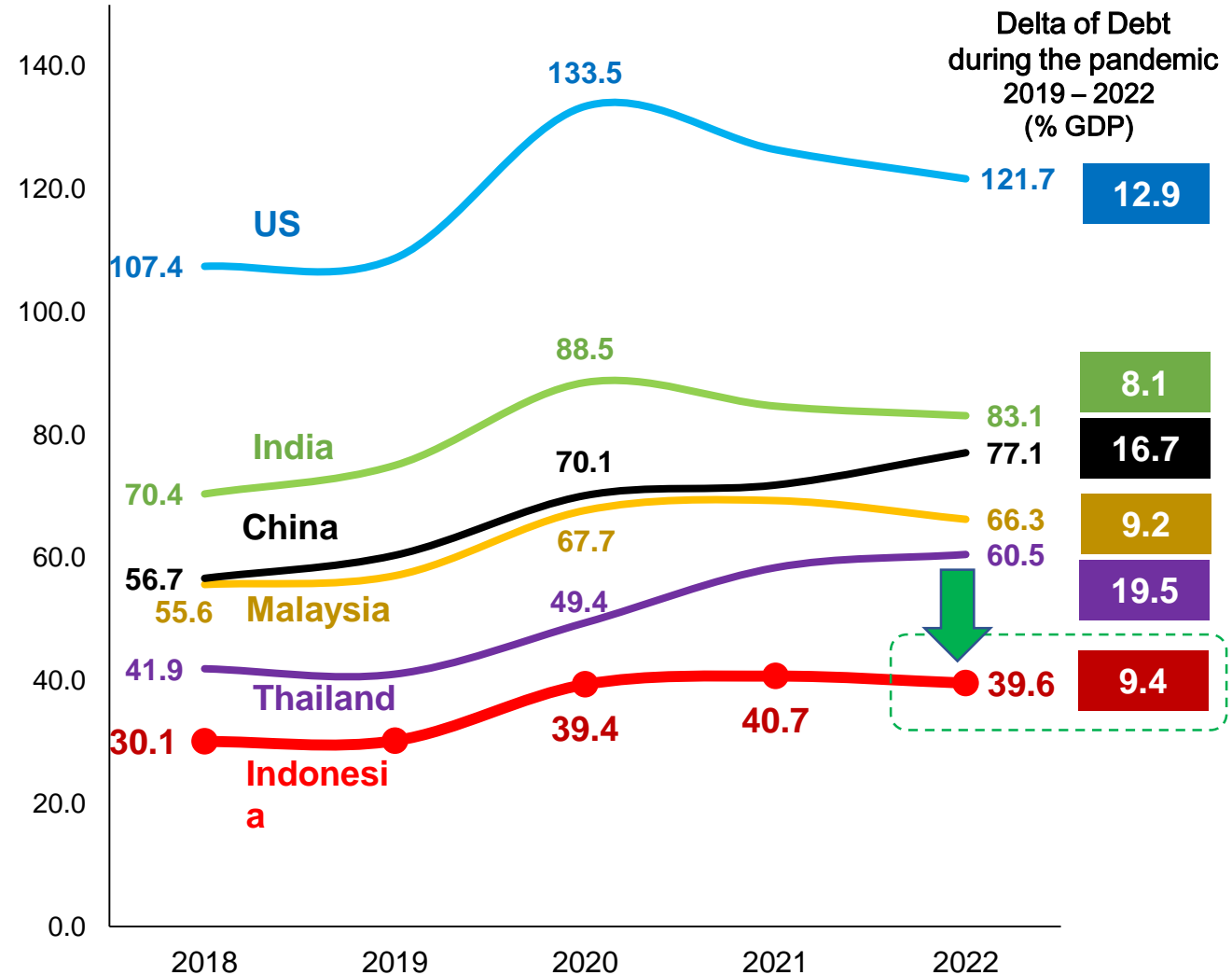
INDONESIA'S COUNTERCYCLICAL FISCAL POLICY HAS BEEN PRUDENTLY DESIGNED AND EFFECTIVE IN REVIVING THE ECONOMY

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)



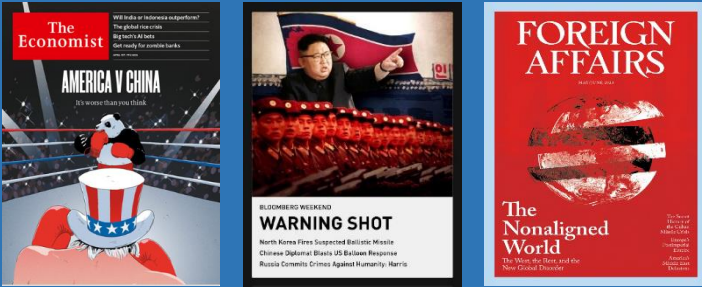
Source: IMF Database & MoF, processed



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

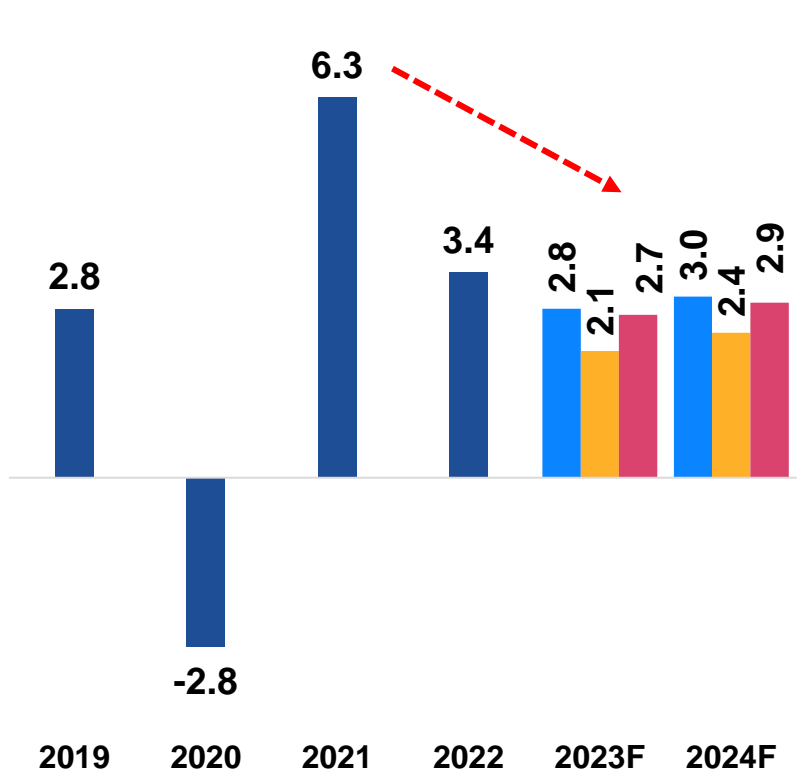
Its occurrence gets more frequent and causes a deep multidimensional crisis.



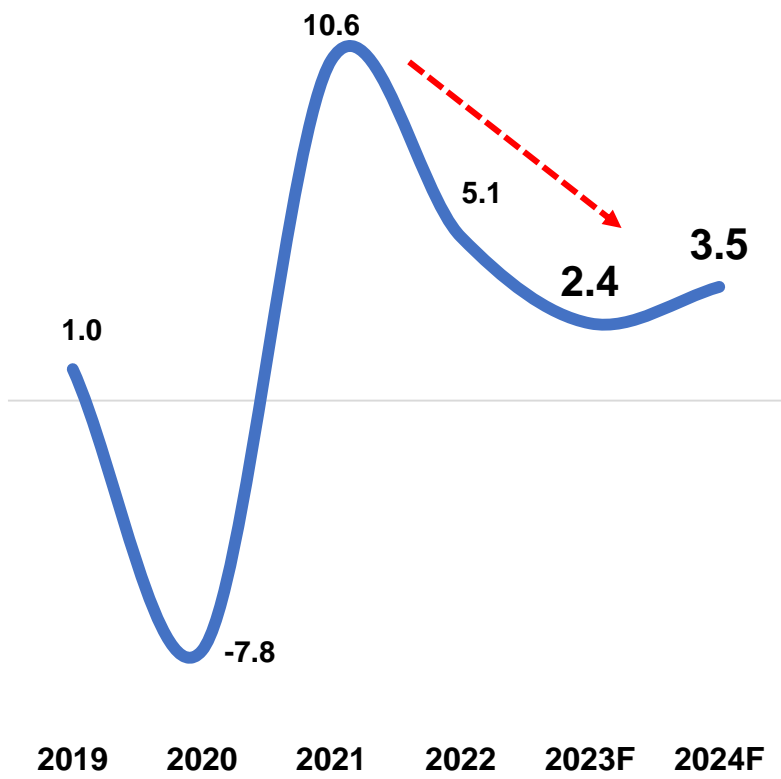
GLOBAL ECONOMIC RECOVERY IS RESTRAINED

Global Economic Growth Projection, % yoy

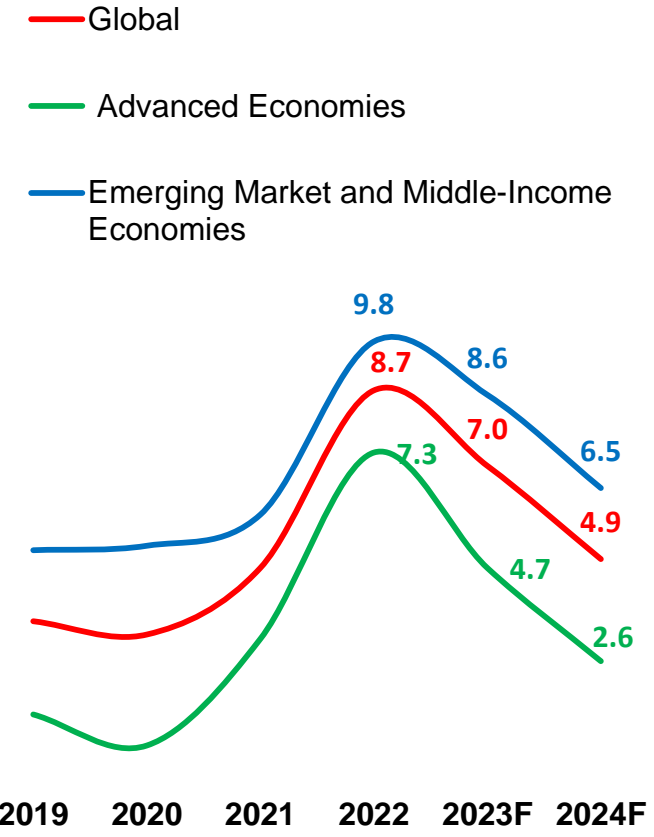
■ IMF Apr '23 ■ WB Jun '23 ■ OECD Jun '23



Global Volume Trade Projection by IMF, % yoy



Inflation Projections by the IMF, % yoy



Downside risks remain dominant

- ✓ Escalation of war in Ukraine
- ✓ Debt distress

- ✓ Escalated war in Ukraine
- ✓ Goeconomic fragmentation

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

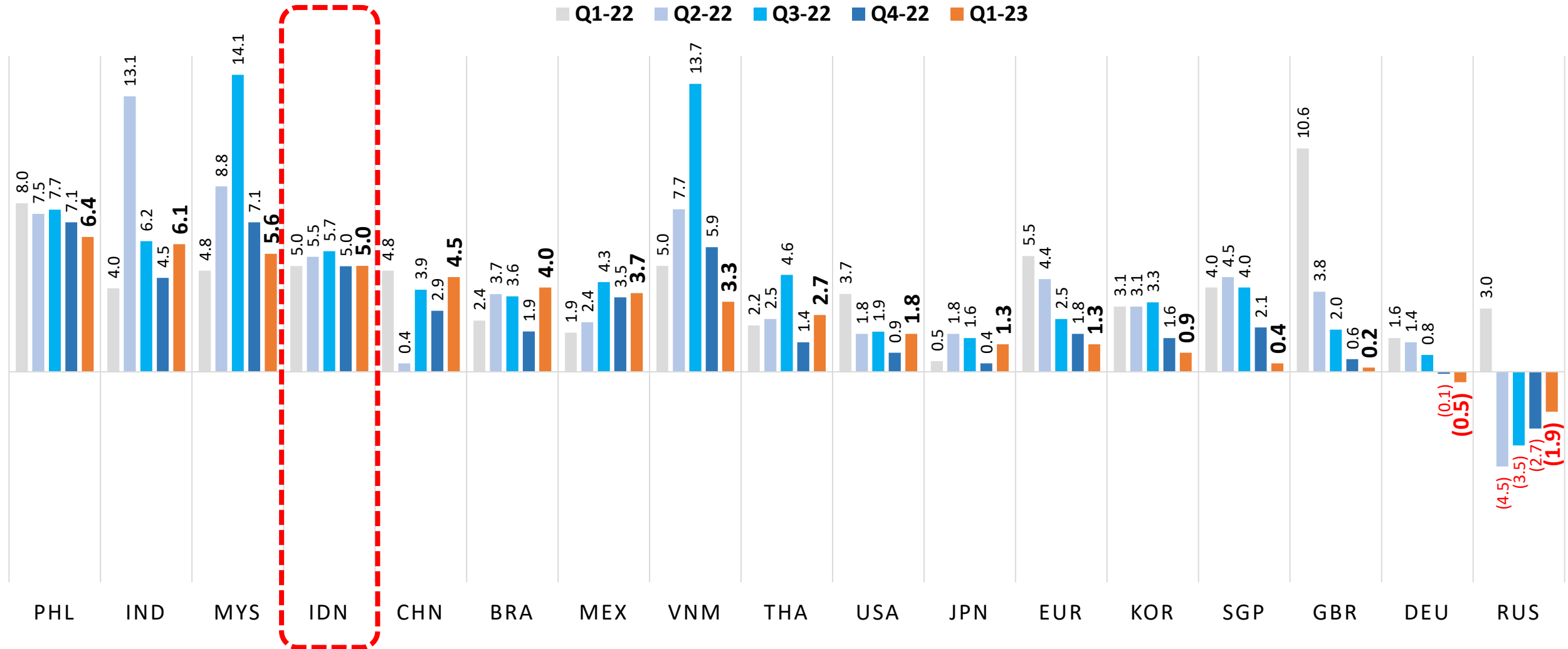
Sources: WEO IMF October 2022, January and April 2023, GEP, and OECD Outlook processed



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

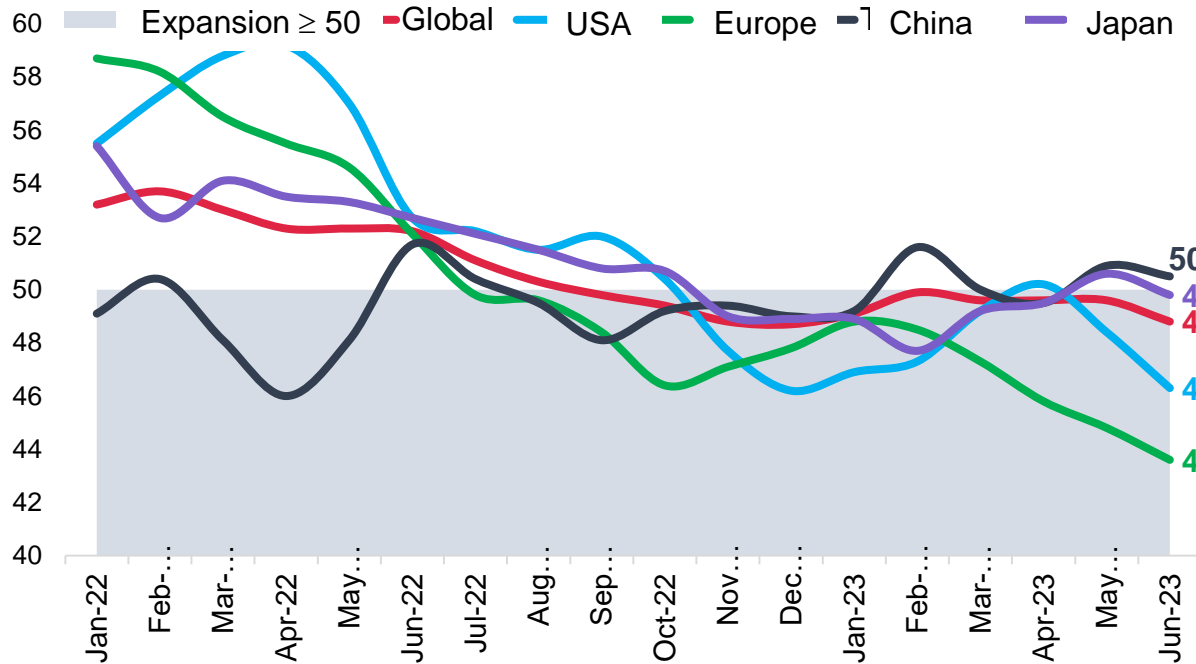


GLOBAL MANUFACTURING ACTIVITIES REMAINS IN THE CONTRACTIVE ZONE– INDONESIA CONTINUE TO PEAK UP

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

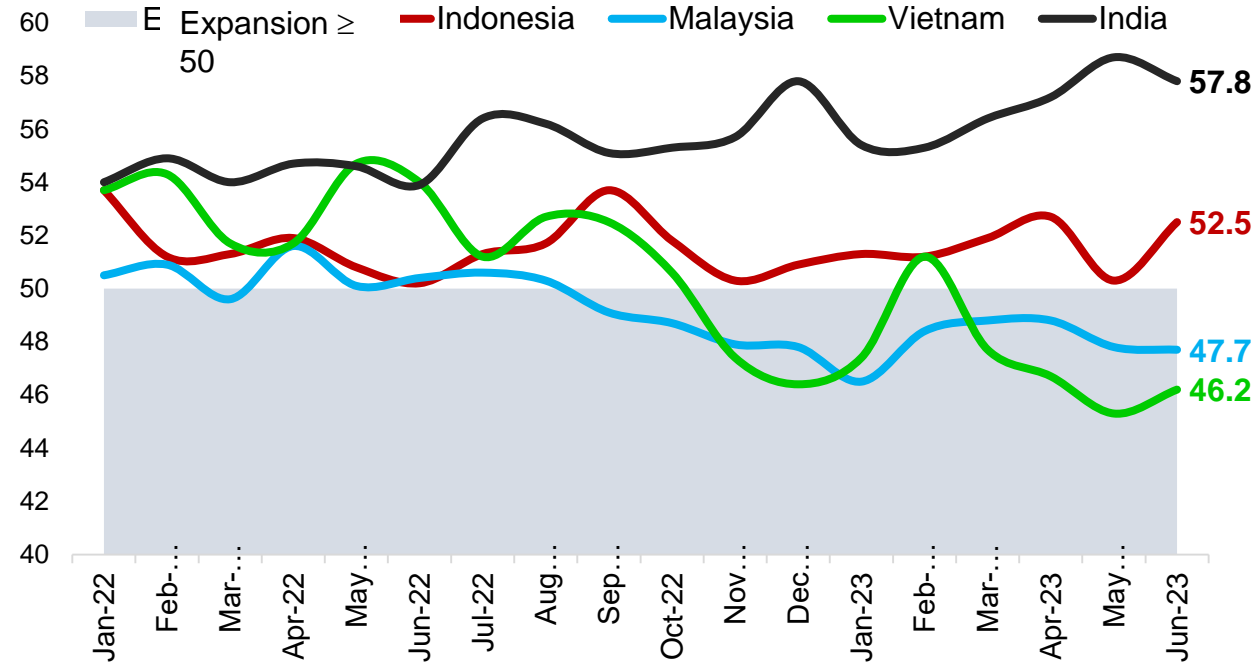
PMI MANUFACTURE AS OF JUNE 2023

Major Countries

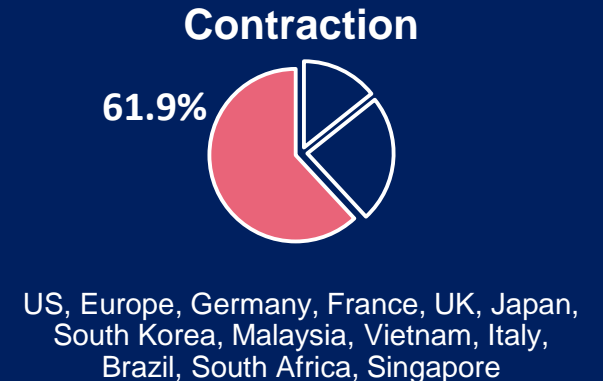
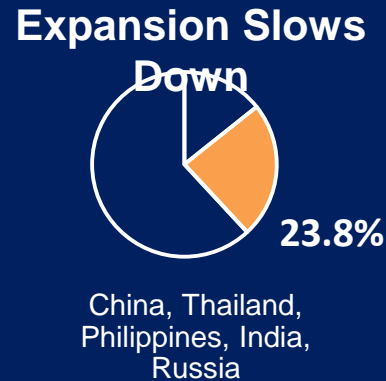


Source: Bloomberg, IHS Markit

Asian Countries



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





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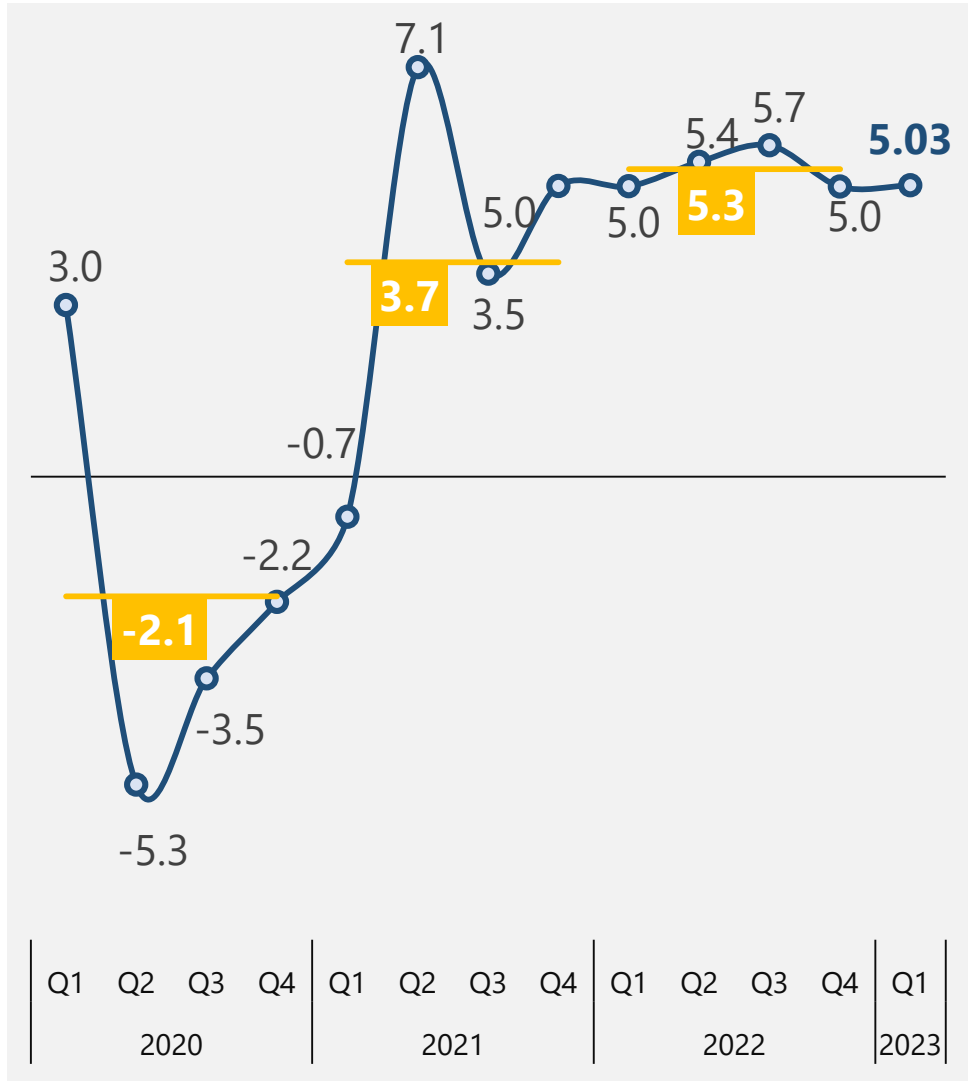


DOMESTIC UPDATES

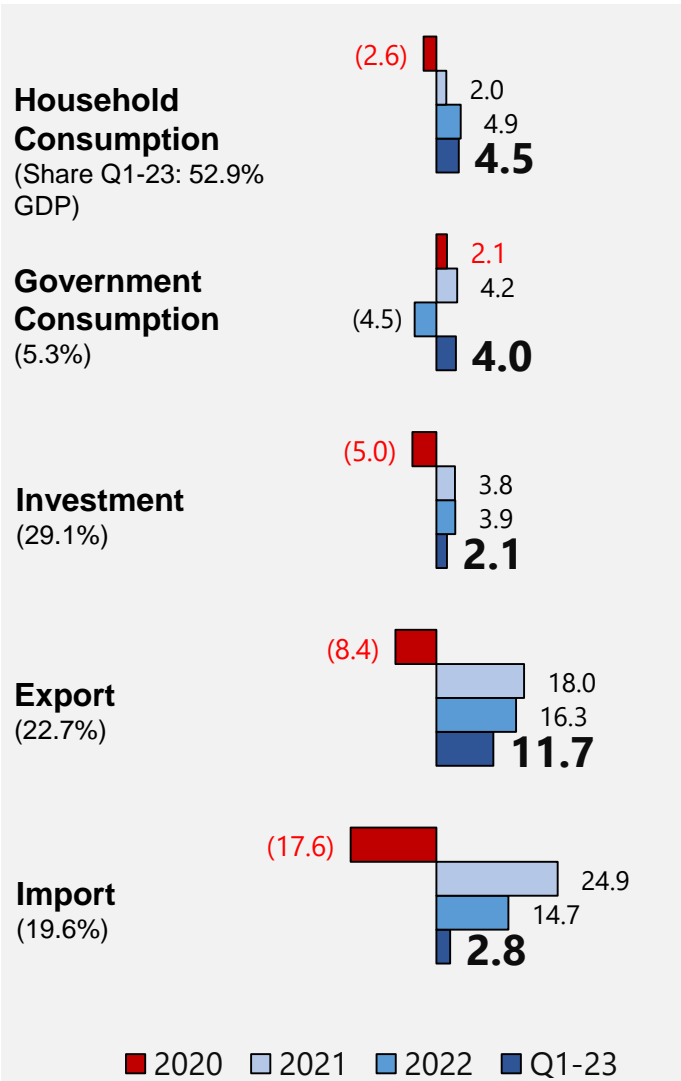


INDONESIA'S ECONOMIC RECOVERY RELATIVELY RESILIENCE

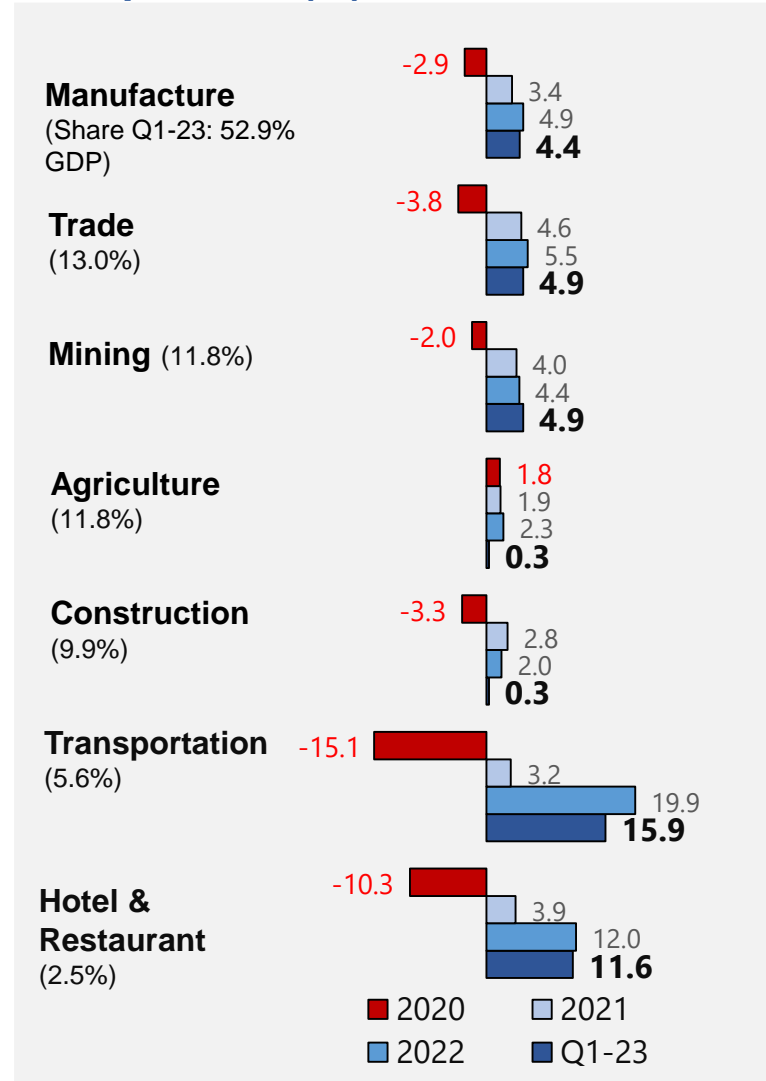
Economic Growth (% yoy)



Growth in Expenditure Components (%)

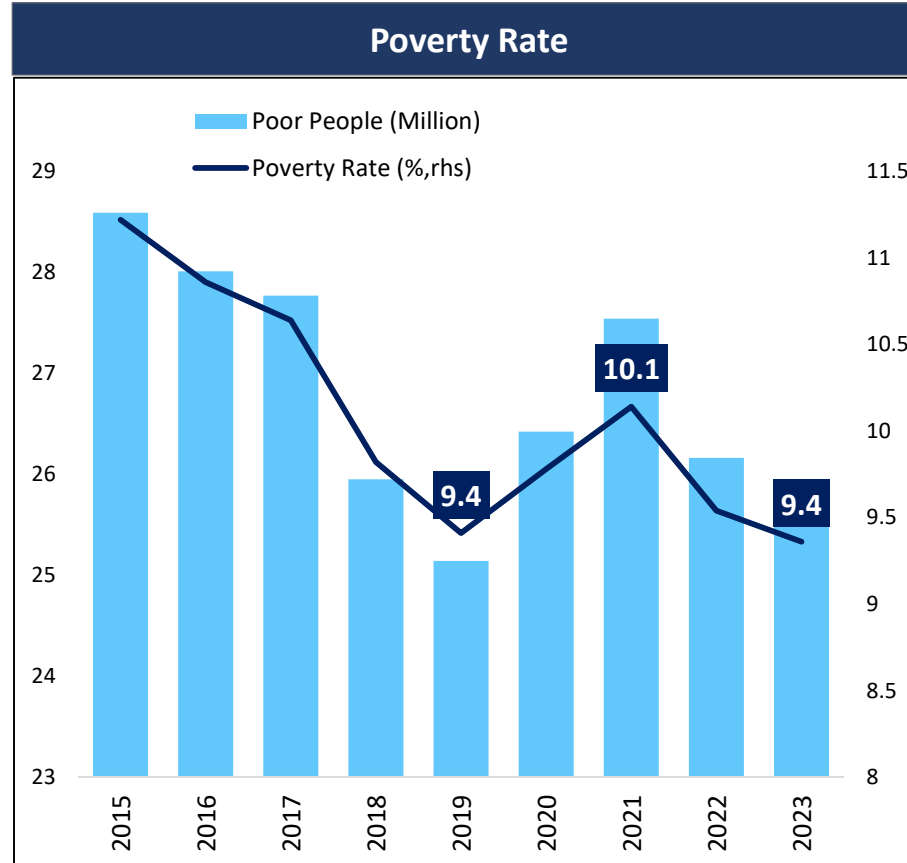
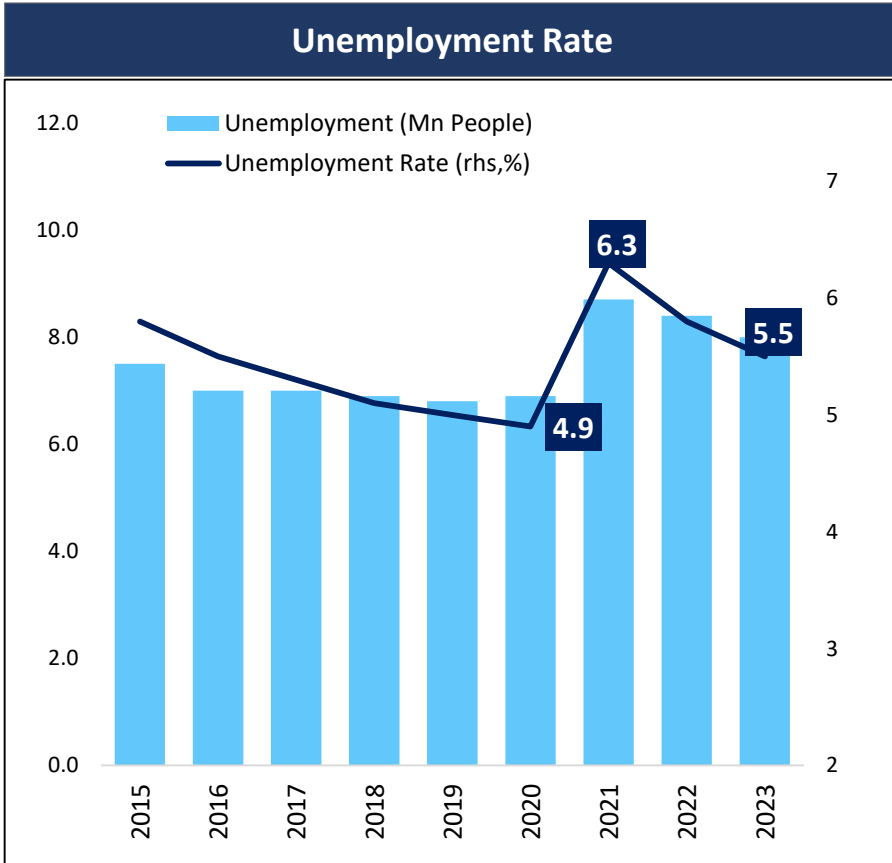


Growth in Production Components (%)





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 pre pandemic level



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

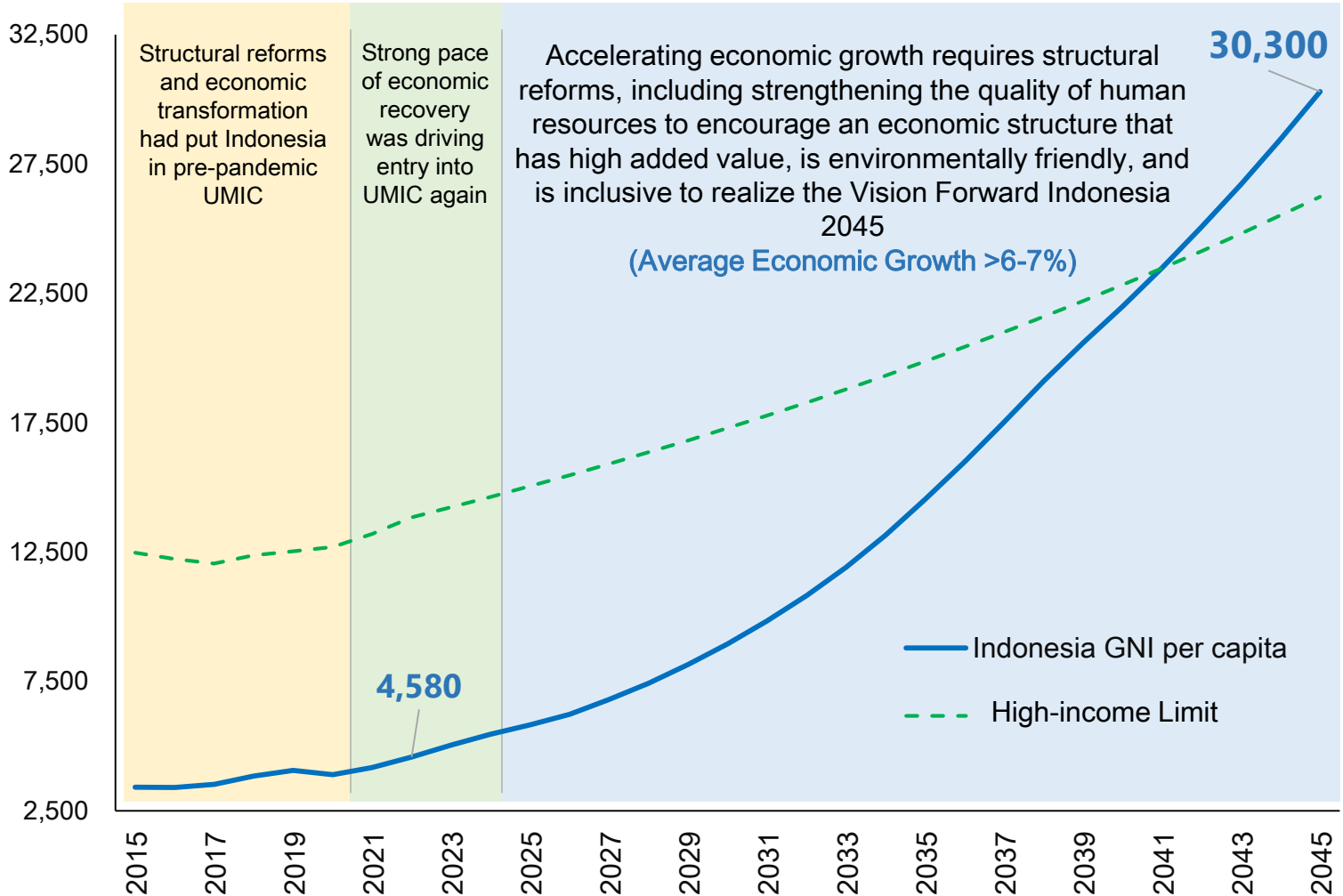
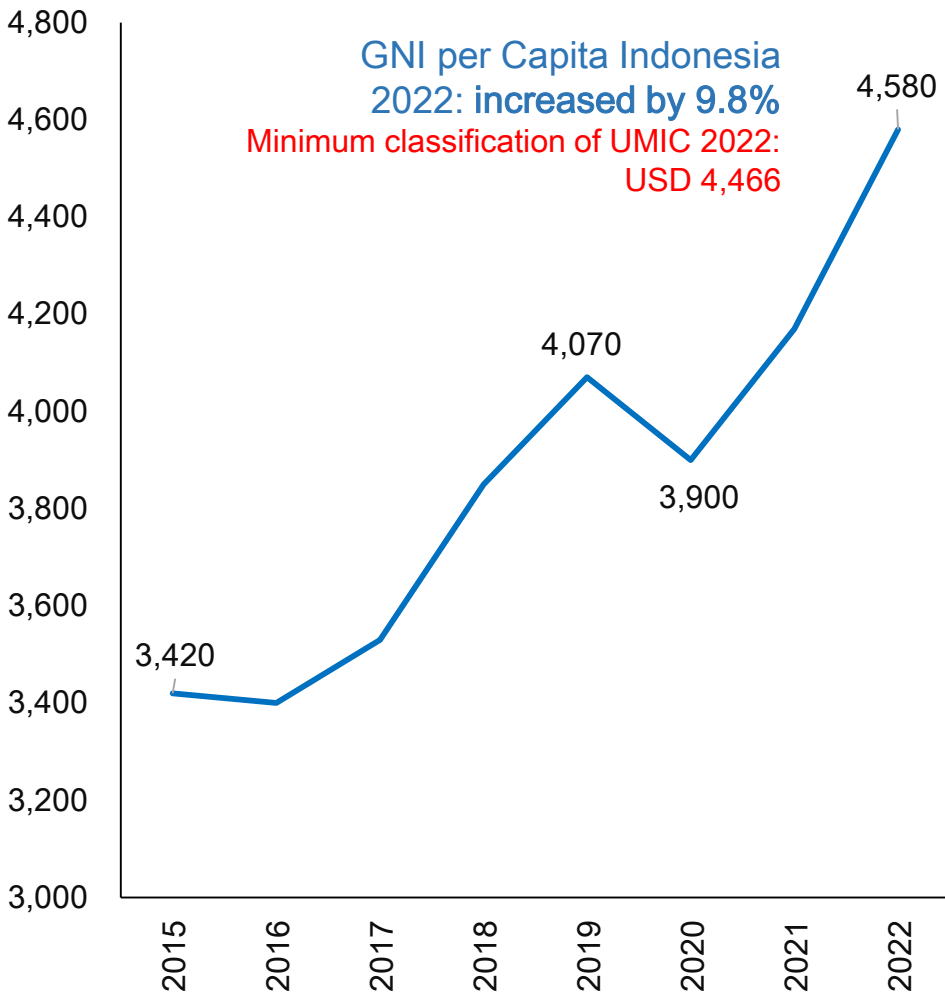


INDONESIA REGAINED ITS STATUS AS AN UPPER MIDDLE-INCOME COUNTRY (UMIC)

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

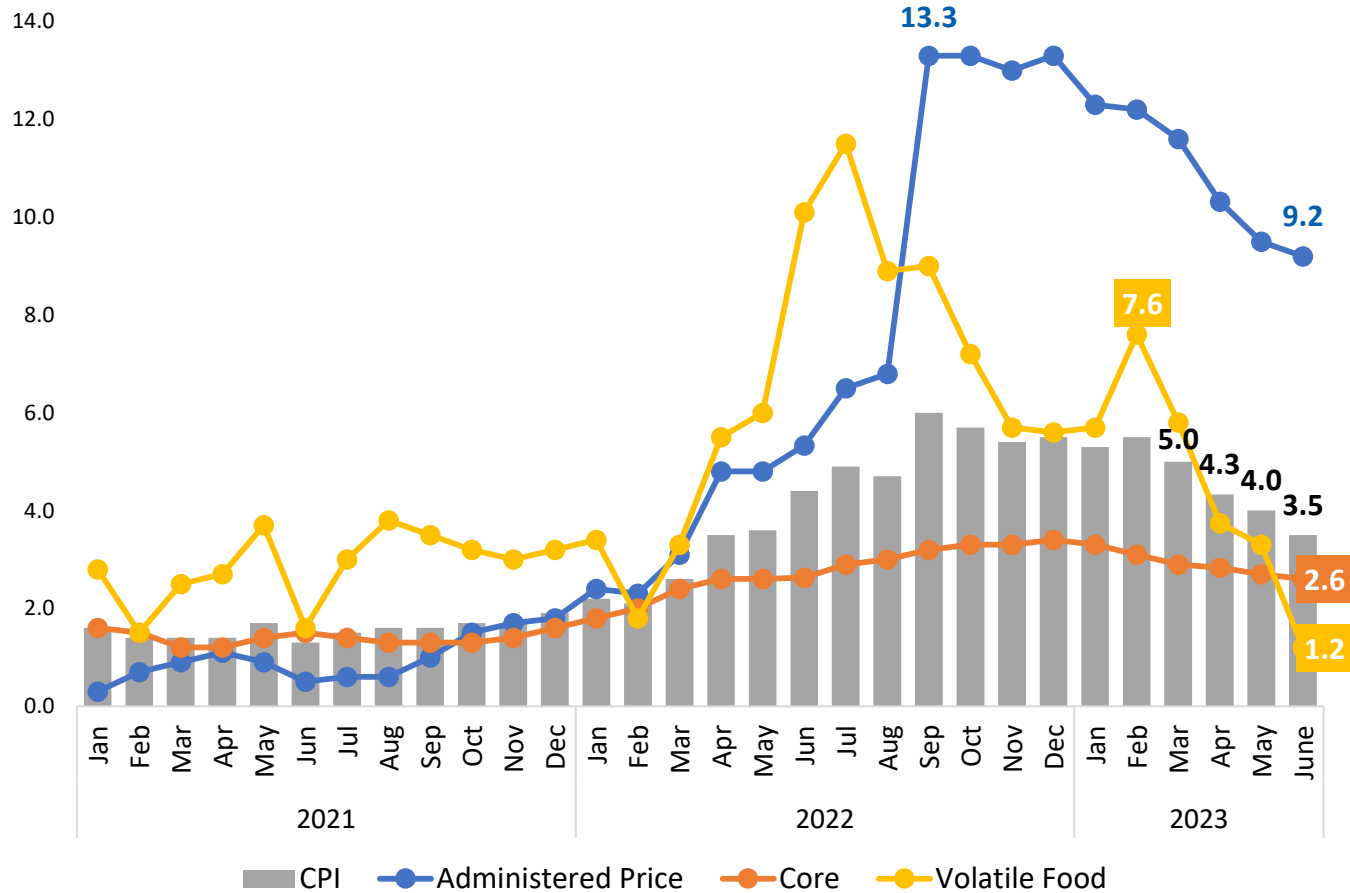




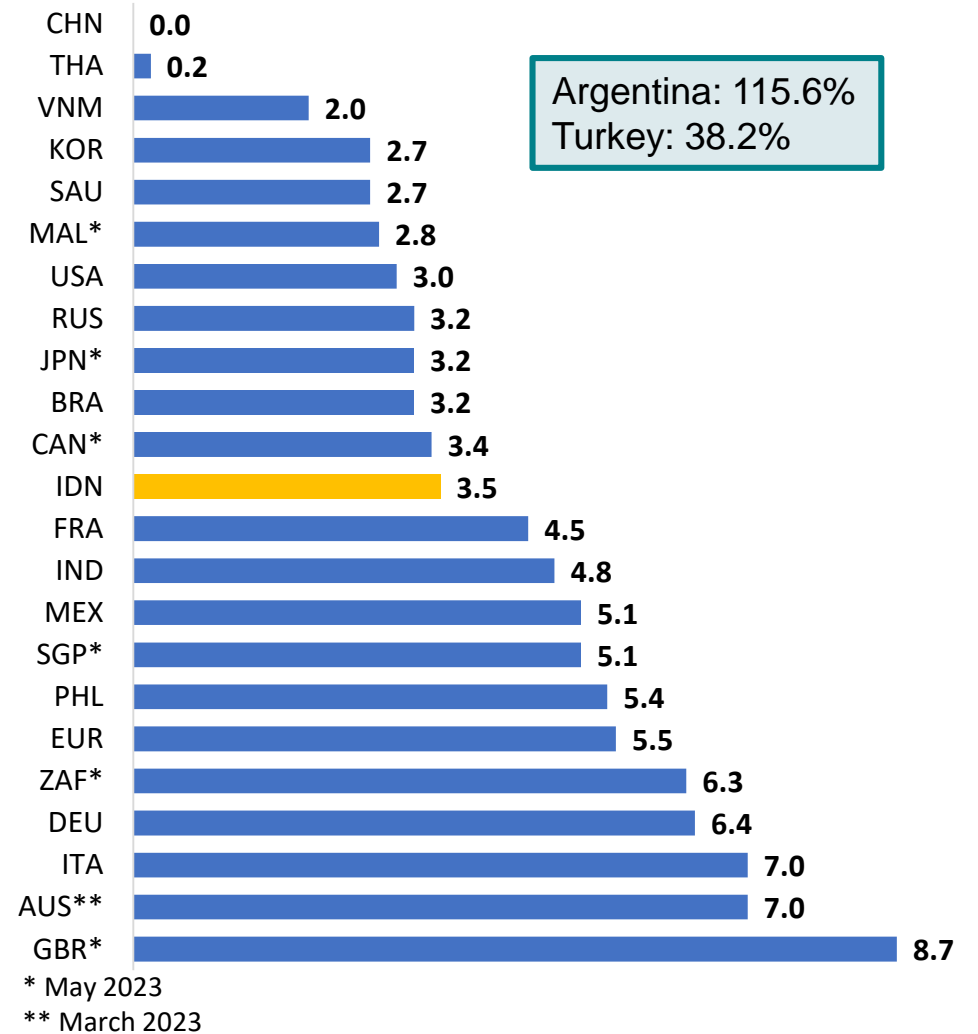
INDONESIA HAS SUCCESSFULLY ACHIEVED LOWER INFLATION QUICKLY

Mainly by successfully decrease food inflation during the Holiday season

INDONESIA'S INFLATIONARY RATE (% , YOY)



COUNTRIES' INFLATION JUNE 2023 (% , YOY)

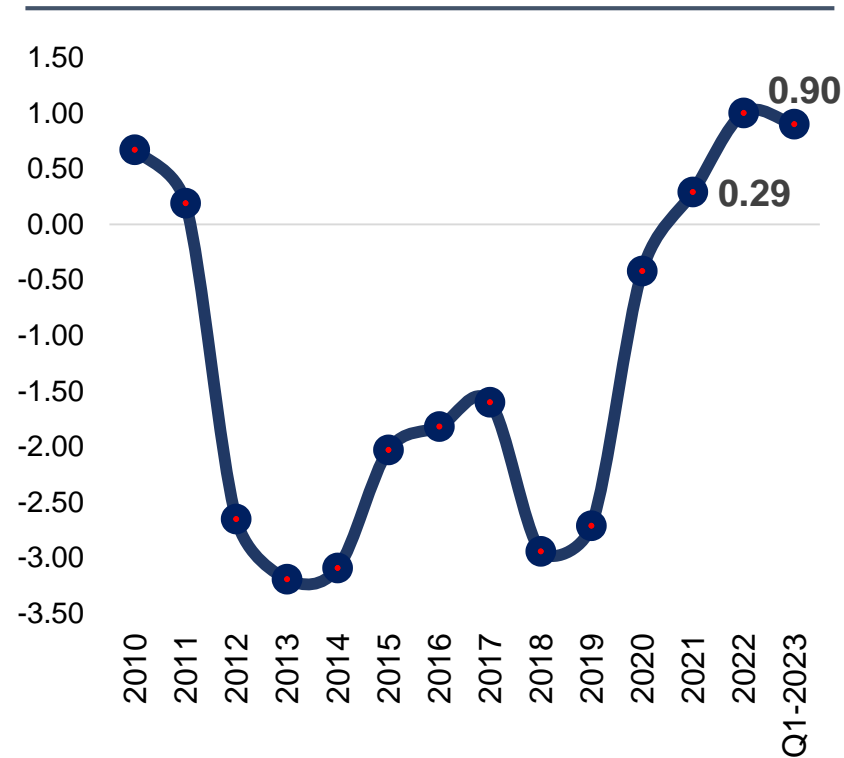




EXTERNAL POSITION CONTINUED TO STRENGTHEN, BOOSTED BY DOWNSTREAMING PRODUCTS

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)

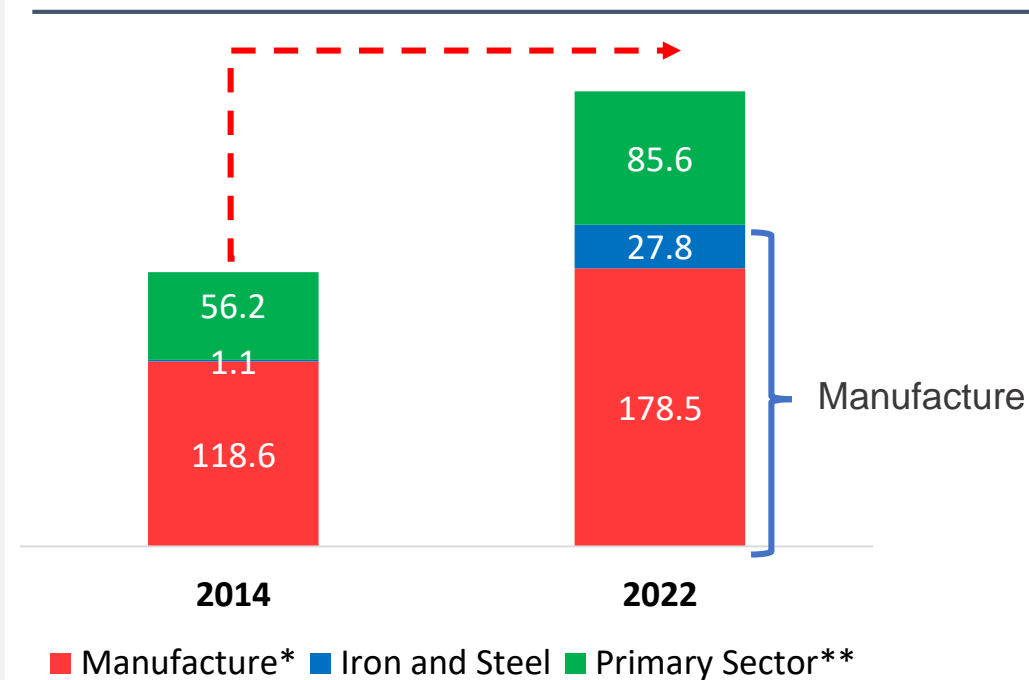
Investment & Market Access

(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

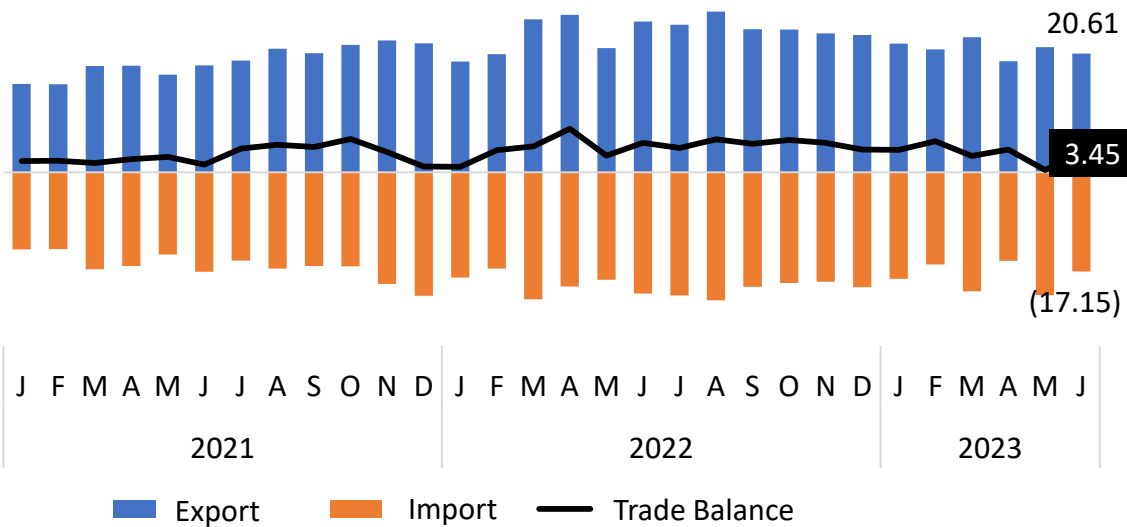
By Anna Cooban, CNN
Updated 3:42 AM EDT, Mon May 29, 2023



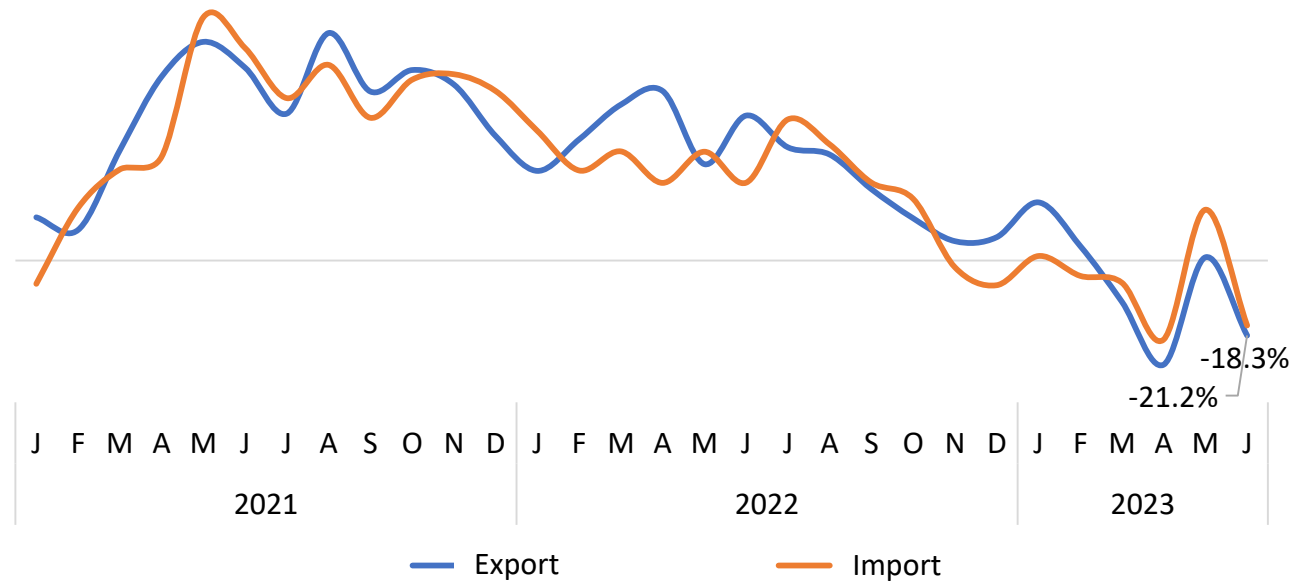


TRADE BALANCE REMAINS IN SURPLUS DESPITE SLOWER EXPORTS AND IMPORT

Progress of Indonesia's Trade Balance (Billion USD)



Indonesia's Exports and Imports Growth (yoy)



In June 2023, exports recorded **USD20.61 billion** decreased by 21.2% YoY), and imports stood at **USD17.15 billion** contracted by 18.3% (YoY).

Trade balance for June 2023 amounted to **USD3.45 billion**. Cumulatively (Jan-June), it reached USD19.93 billion.

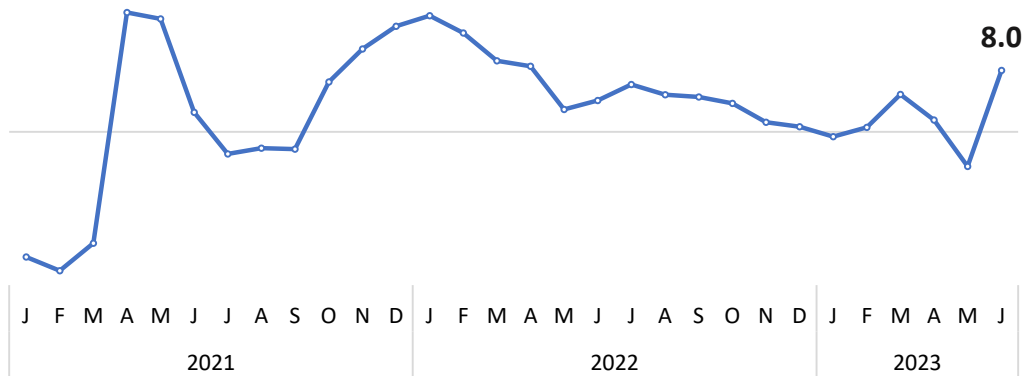
Trade surplus has been occurring **38th months**



NEAR TERM GROWTH OUTLOOK REMAINS RELATIVELY STRONG

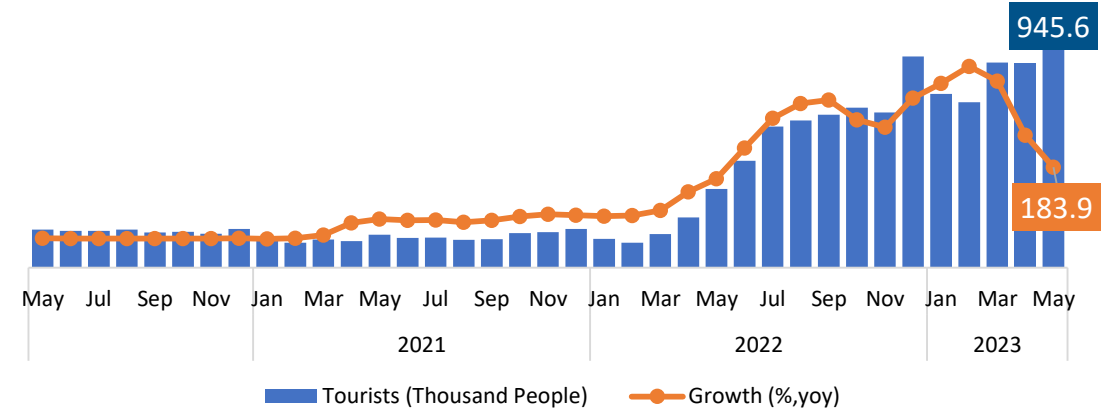
Consumption Indicator – Retail Sale Index

The Retail Sale Index grows high



Consumption Indicator – Foreign Tourist Arrivals

National tourism continues to recover with a steadily increasing trend



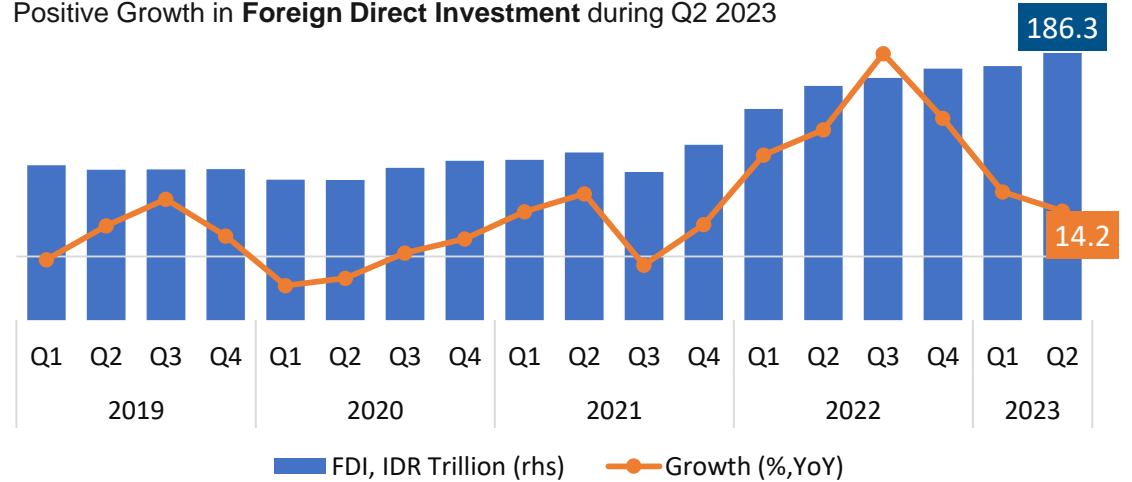
Production Indicator – PMI Manufacturing

Indonesia's PMI continues the expansion



Foreign Direct Investment

Positive Growth in Foreign Direct Investment during Q2 2023



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

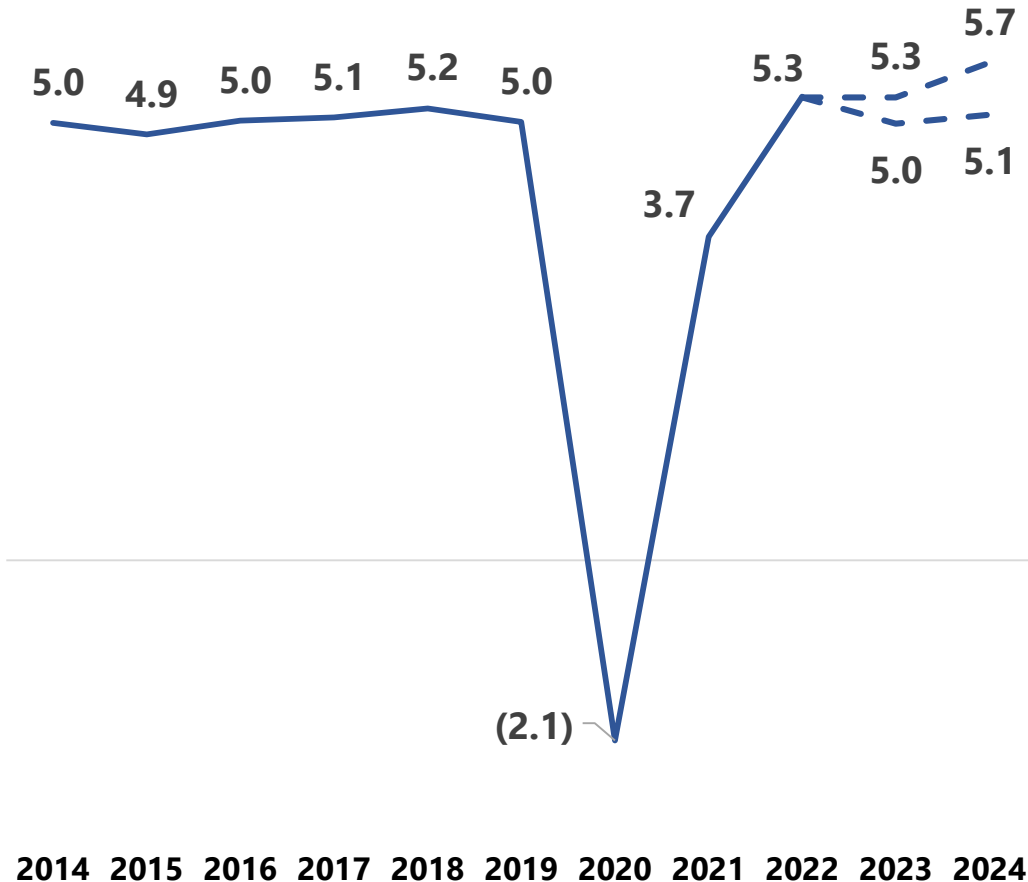


GROWTH IS EXPECTED TO REMAIN ROBUST IN 2023 AND 2024

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 UPDATES

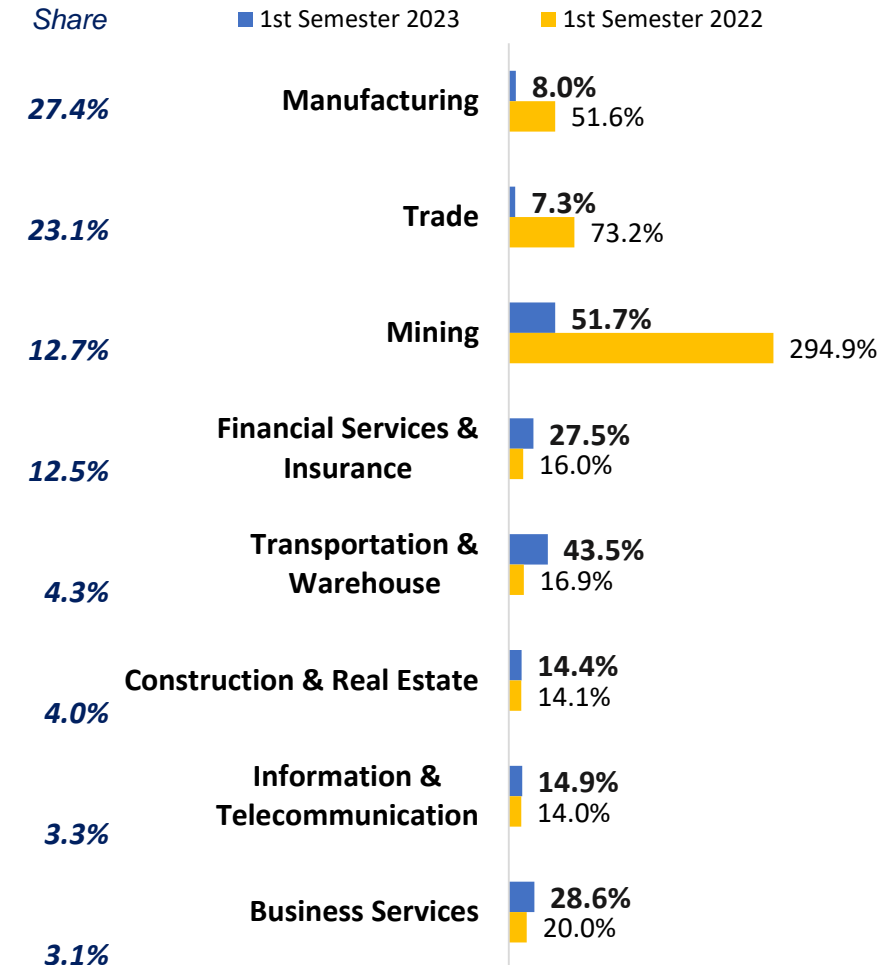


UP TO 1st SEMESTER BUDGET OUTTURN REMAINED STRONG IN THE 1st HALF 2023

Remained robust economic activities and gained from the tax reforms have sustained revenue collection amid moderating commodity prices

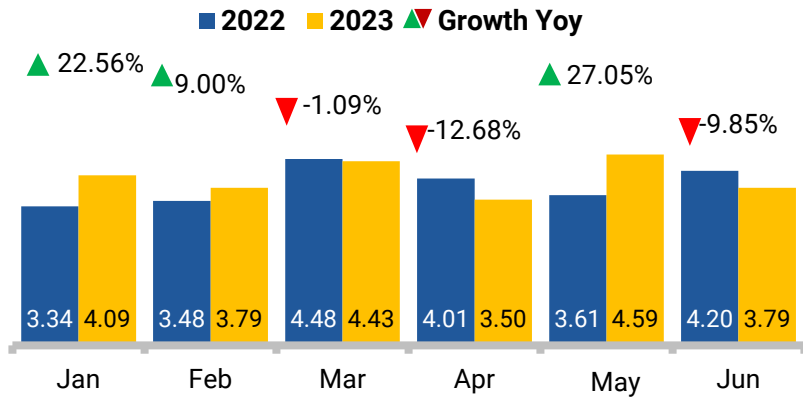
Account (IDRtn)	2022				2023			
	Perpres 98/2022	1st Semester Realization	% to Budget	Growth (%)	Budget	1st Semester Realization	% to Budget	Growth (%)
A. Revenue	2,266.2	1,336.1	59.0	50.6	2,463.0	1,407.9	57.2	5.4
I. Tax Revenue (DG Tax & Custom-Excise)	1,784.0	1,049.4	58.8	54.3	2,021.2	1,105.6	54.7	5.4
1. Tax	1,485.0	882.6	59.4	58.2	1,718.0	970.2	56.5	9.9
2. Custom & Excise	299.0	166.8	55.8	36.5	303.2	135.4	44.7	(18.8)
II. Non-Tax Revenue	481.6	286.4	59.5	38.4	414.4	302.1	68.5	5.5
B. Expenditure	3,106.4	1,244.9	40.1	6.4	3,061.2	1,255.7	41.0	0.9
I. Central Government	2,301.6	877.2	38.1	10.2	2,246.5	891.6	39.7	1.6
1. Line Ministries Spending	945.8	393.8	41.6	(12.4)	1,000.8	417.2	41.7	5.9
2. Non-Line Ministries	1,355.9	483.4	35.6	39.4	1,245.6	474.4	38.1	(1.9)
II. Regional Transfer & Village Funds	804.8	367.7	45.7	(1.7)	814.7	364.1	44.7	(1.0)
C. Primary Balance	(434.4)	279.0	(64.2)	340.0	(156.8)	368.2	(234.9)	32.0
D. Surplus (Deficit)	(840.2)	91.2	(10.9)	132.2	(598.2)	152.3	(25.5)	66.9
<i>% to GDP</i>	<i>(4.50)</i>	<i>0.47</i>			<i>(2.84)</i>	<i>0.71</i>		
E. Financing	840.2	158.6	18.9	(62.3)	598.2	135.1	22.6	(14.8)

Positive Growth in Main Sector Tax Revenue (YoY)





IMPORT DUTY REVENUE IS WELL MAINTAINED, BUT EXPORT DUTY IS DECREASING



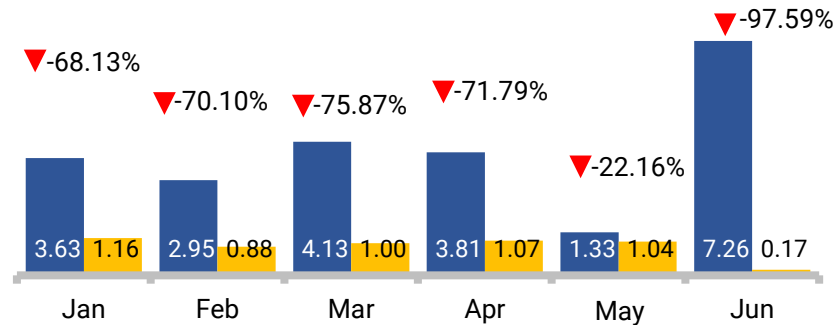
IDR Trillion

	Jan-Jun	YoY
2022	23.12	30.50%
2023	24.20	4.65%

Up to May 2023 7.87%

Import Duty Revenue

In 2023, Import Duty Revenue grew by 4.65% YoY, while import performance declined at -6.42% YoY. Factors contributing to BM revenue growth include a 4.65% YoY increase in USD exchange rate and growth in key commodities like vehicles, spare parts, mining machinery, and iron/steel.



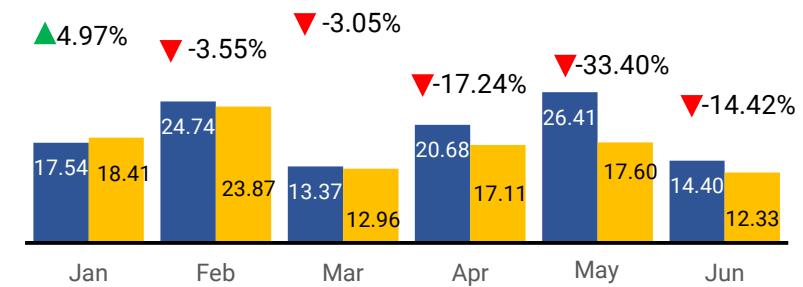
IDR Trillion

	Jan-Jun	YoY
2022	15.85	54.46%
2023	5.32	-76.97%

Up to May 2023 -67.52%

Export Duty Revenue

In 2023, cumulative revenue from export duties declined by -76.97% (YoY) due to lower CPO prices, reduced mineral exports, and copper/bauxite export bans.



IDR Trillion

	Jan-Jun	YoY
2022	117.14	32.30%
2023	102.38	-12.61%

Up to May 2023 -12.45%

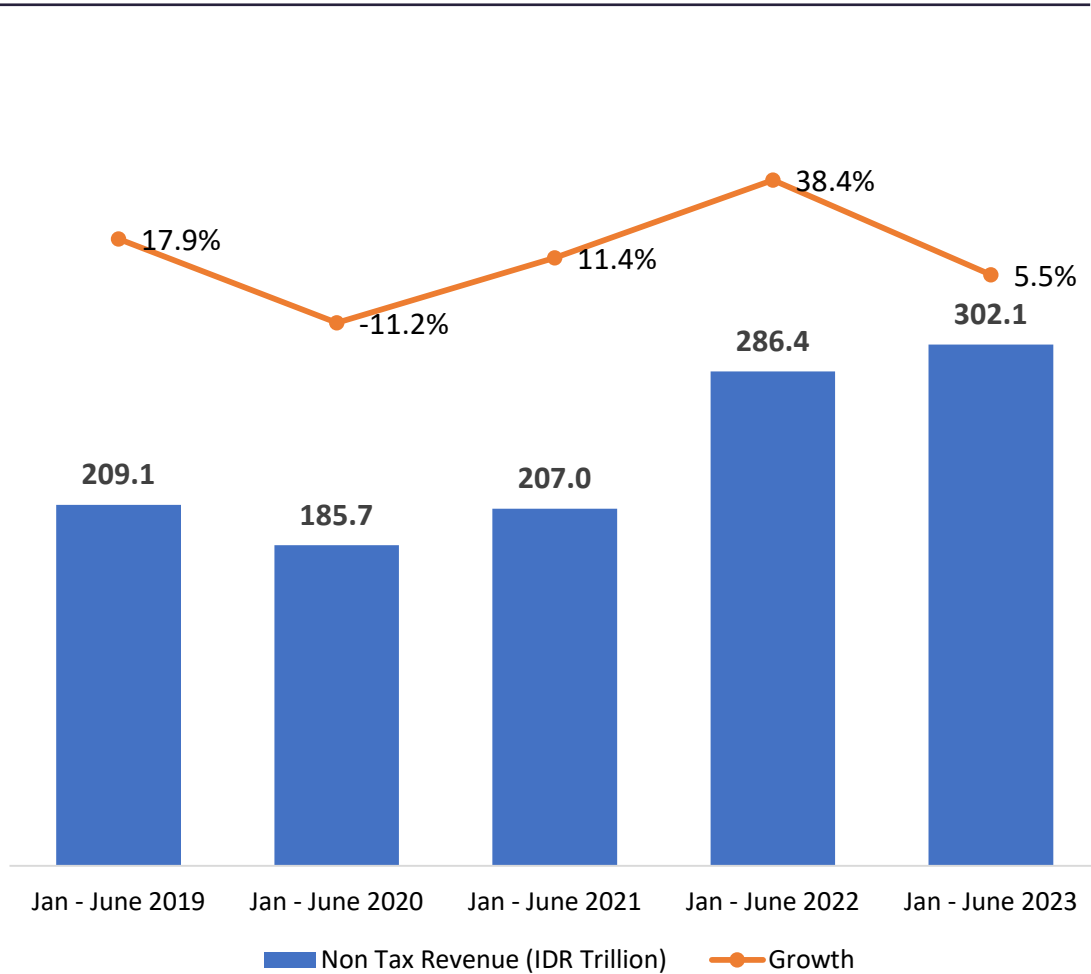
Tobacco Excise Tax

Tobacco Excise revenue until June decreased by -12.61% (YoY) due to a production decline in March and relatively stagnant production in April. Production of tobacco product until April continued to decline, especially in groups 1 and 2. The weighted average tariff only increased by 3.28% (lower than the normative increase of 10%) due to the decrease in production for high-tariff groups 1 (SKM) and 2 (SPM).

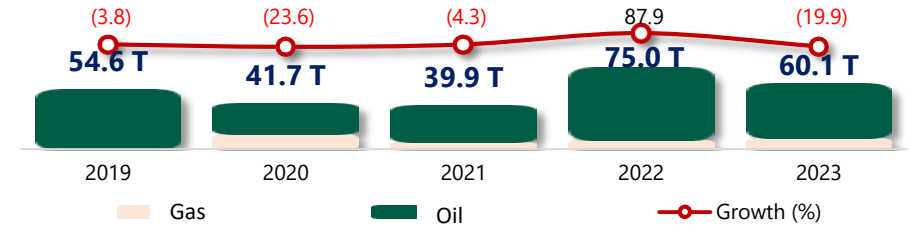


POSITIVE GROWTH IN NON-TAX REVENUE PERFORMANCE UNTIL JUNE 30, 2023

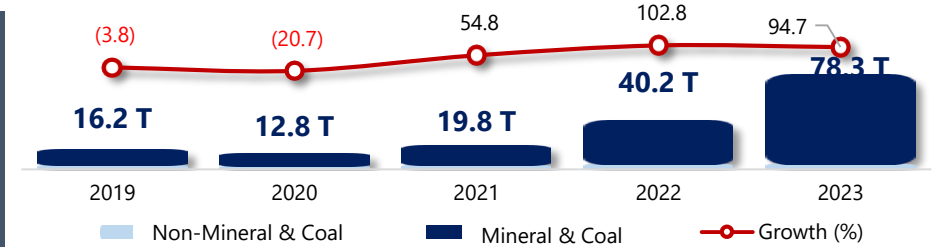
Non-Tax Revenue



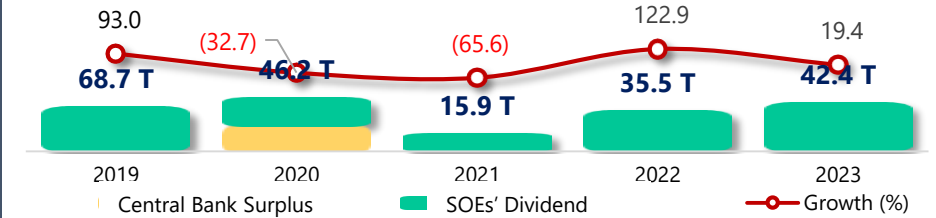
Oil & Gas Revenue (IDR T)



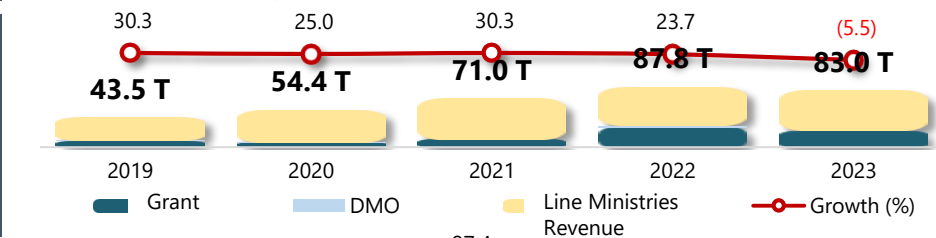
Non-Oil & Gas Revenue



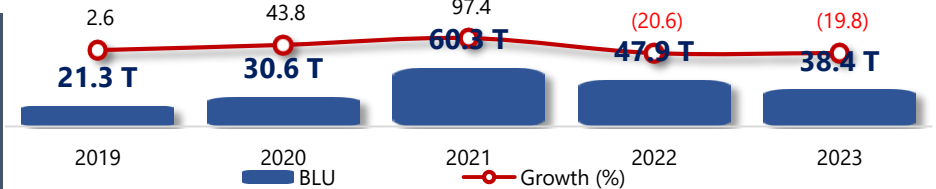
Separated State Asset



Other Non-Tax Revenues



Public Services Agency (BLU) Revenue

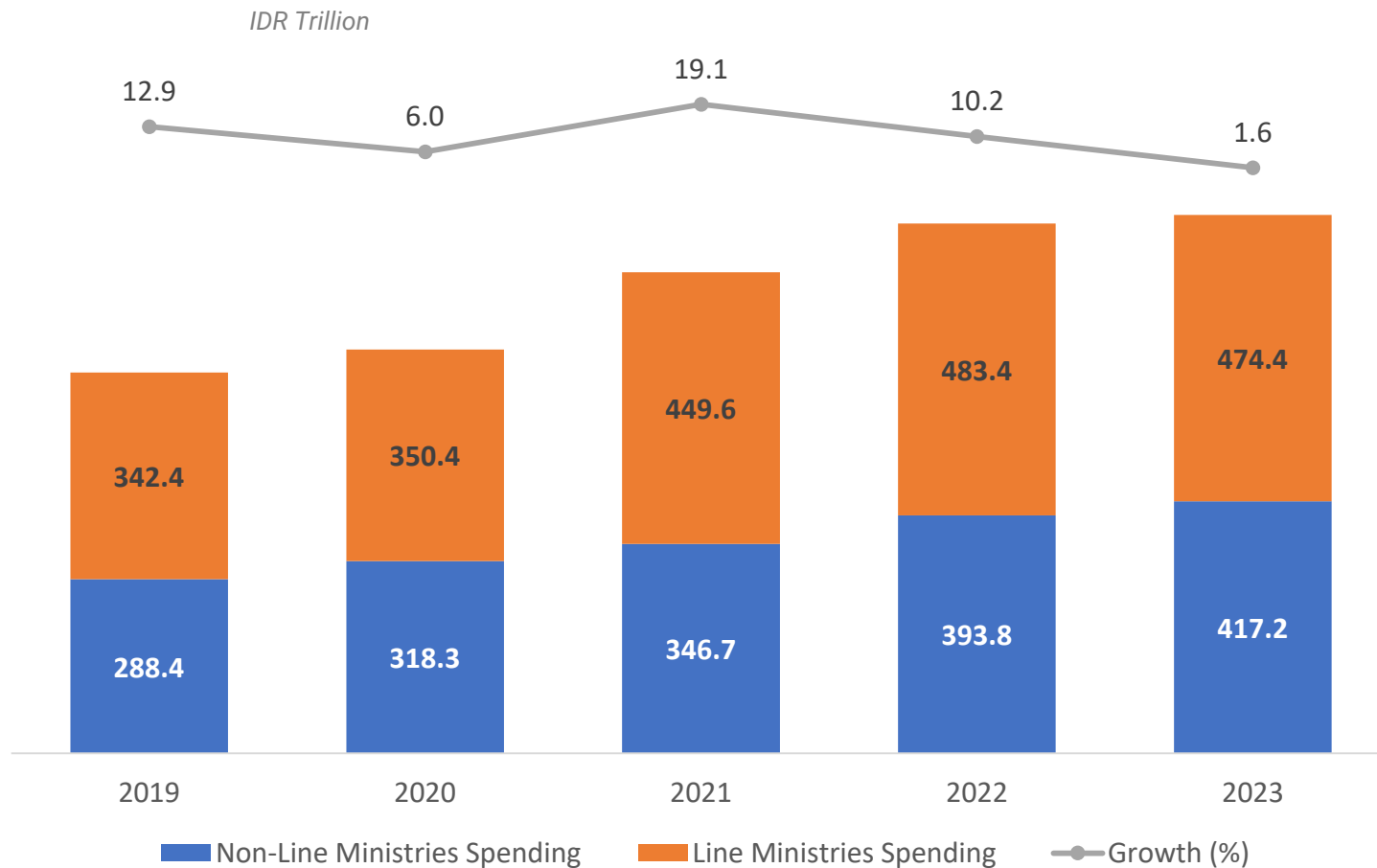


Source: Ministry of Finance, YTD 30 June 2023



CENTRAL GOVERNMENT SPENDING REACHES 39.7% OF GOVERNMENT BUDGET TARGET

Central Government Spending



1

Line Ministries Expenditure IDR417.2T* (41.7% of Budget target), driven by support for Election preparation, IKN development, and priority infrastructure completion.

*) Includes personnel, goods, capital, and social assistance expenditures.

2

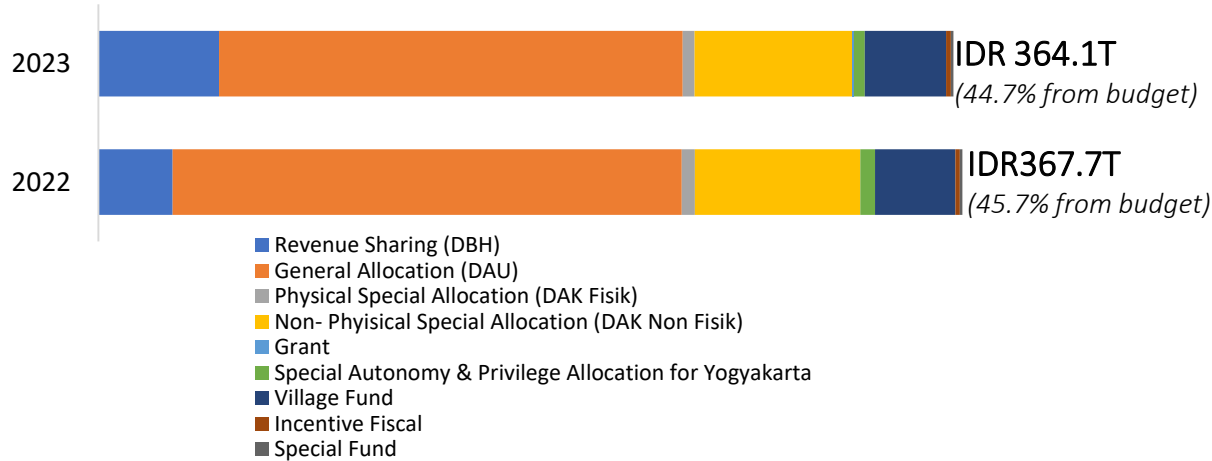
Non-Ministries Expenditure: IDR 474.4T (38.1% of Budget target), includes realization of subsidies and compensations (fuel and electricity), pre-employment card program, and fertilizer subsidies.



INCREASED TRANSFER TO REGIONS WITH IMPROVED GOVERNANCE

Transfer to Region Fund

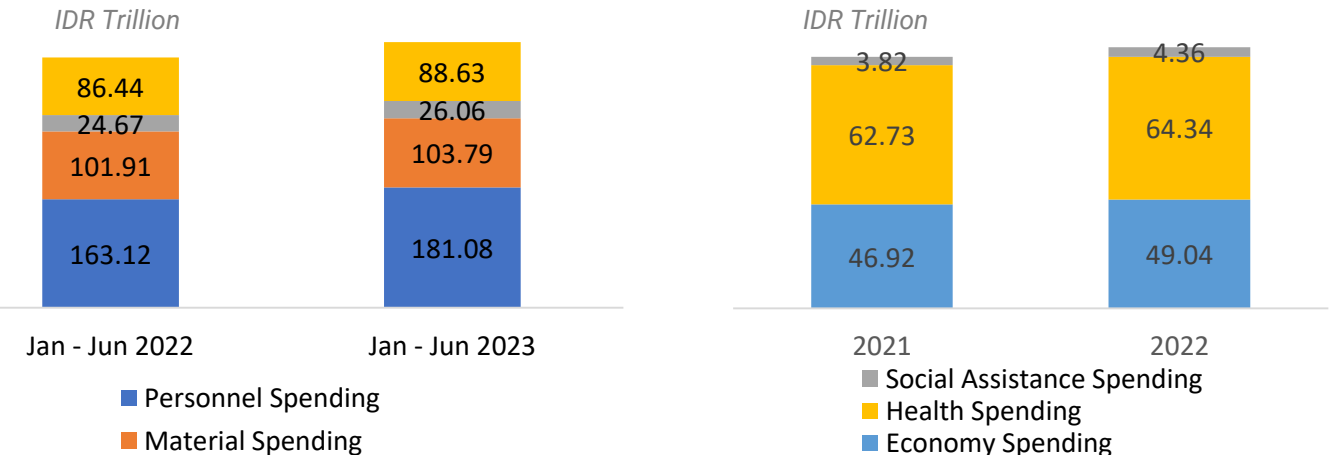
(January – June)



transfer to the region (TKD) supports regional funding and the development of public services infrastructure in areas such as education, healthcare, irrigation, water supply, agriculture, transportation, tourism, economic development, environmental protection, and rural development. As of June, TKD disbursement reached Rp364.1 trillion (44.7%), slightly lower than last year, primarily due to preparations for specific stage 2 DAU disbursement and verification processes for previous Operational Assistance Funds for Schools funds by regional APIP, leading to delayed transfers for certain TKD types.

Local Government Performance

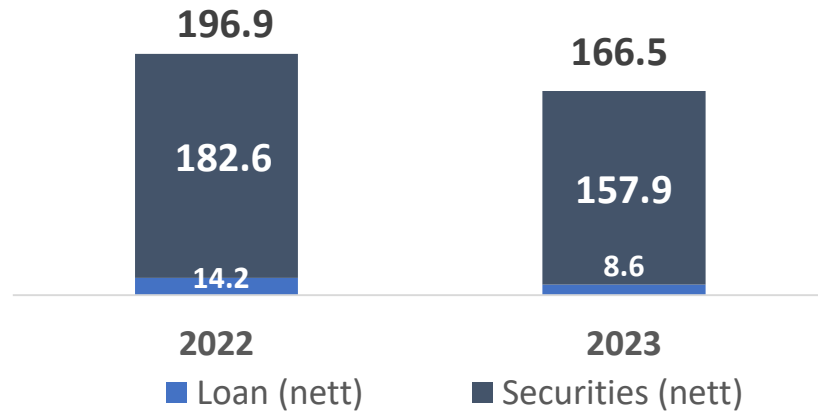
The realization performance of the 2023 Regional Budget (APBD) expenditure has grown by 6.23% year on year (YoY). This growth is attributed to the improvement in expenditure absorption for personnel, goods and services, capital, and other expenses. The positive realization performance needs to be sustained until the end of the year.





IN THE FIRST SEMESTER OF 2023, BUDGET FINANCING CONTROLLED AMID GLOBAL MARKET VOLATILITY & GOVERNMENT LIQUIDITY

Financing Realization Up 1st Semester 2023



Domestic Loan (Net)
IDR 2.48 T

- Domestic Loan Withdrawal (Gross) **IDR 3.47T**
- Domestic loan principal installment financing **IDR (0.99T)**

Foreign Loan (Net)
IDR 6.14 T

- Foreign Loan Withdrawal (Gross) **IDR 46.15T**
- Foreign loan principal installment financing **IDR (40.00T)**

Accelerate Investment in Priority Sectors for The Welfare of The Society



Housing Financing Liquidity Facility

IDR 85.78T (Total Fund)

As of June 30, 2023, a total of 114,500 FLPP (Housing Financing Liquidity Facility) homes have been disbursed to low-income communities across 386 cities/regencies, with a total value of IDR 12.9 trillion.



State Asset Management Agency

As of June 2023, funding amounting to IDR 11.3 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 Fund as of June 2023 IDR 134.11T



International Development Cooperation Fund (LDKPI)

Grant disbursement: Rp200.85M to 32 countries, incl. Timor Leste, Solomon Islands, Fiji, Pakistan, Afghanistan, Palestine, Ethiopia, OACPS Secretariat, etc. (2020-June 2023).



THANK YOU

FISCAL POLICY AGENCY, MINISTRY OF FINANCE,
REPUBLIC OF INDONESIA

Gd. Notohamiprodjo
Dr Wahidin no 1, Jakarta Pusat 10710
email: iru@kemenkeu.go.id