



MINISTRY OF FINANCE  
REPUBLIC OF INDONESIA

# RECENT MACROECONOMIC AND FISCAL UPDATE

MINISTRY OF FINANCE  
August 2023



## The Team

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# GLOBAL UPDATE & RISKS

# THE COVID-19 PANDEMIC IS NOW BEHIND US, PROVIDING VALUABLE LESSONS LEARNT



*(Director General WHO)*

*"It is therefore with great hope that I declare COVID-19 over as a global health emergency"*



*(Presiden Republik Indonesia)*

*"Setelah tiga tahun lebih kita berjuang bersama menghadapi Pandemi Covid-19, sejak hari ini, Rabu, 21 Juni 2023, pemerintah memutuskan untuk mencabut status pandemi dan kita mulai memasuki masa endemi"*



## Stay Vigilant

Covid-19 was not the first global pandemic, and will not be the last



## Data & Governance

A reliable data & sound governance are crucial in crisis management



## Synergy

Multi-stakeholders collaborations, including capitalizing social capital, are essential to fight a crisis



## Global Health Infrastructure

A pandemic will not be over until it's over in every country. Solid and well coordinated global cooperation is needed



## Reforms

Mindset "Strike While the Iron is Hot"

*During the pandemic, Indonesia did not stop implementing reforms for the sake of future development:*

*Omnibus Laws on Job Creation, Tax Administration Harmonization, Financial Sector, as well as Intergovernmental Fiscal Transfer Law*

# GEOPOLITICAL FRAGMENTATION IS ONE OF THE BIGGEST CONCERNS

## Growing interest in several important global trend

- Technology and digitalization
- Green economy



## Huge potential to support economy

- Energy security
- Technology adoption
- Investment
- Job creation
- Sustainable GDP growth



## Obstacle

- Limited supply
- Advance technology & huge investment needed
- High competition (such as chip war)
- Growing **geopolitical fragmentation**

Related landmark policies by major economies: Inflation Reduction Act, Carbon Border Adjustment Mechanism, critical mineral coalition

### Potential impacts

Emerging Economies need to be mindful

Slow global growth & recovery

Low external demand

Trade disruption

Low investment flow

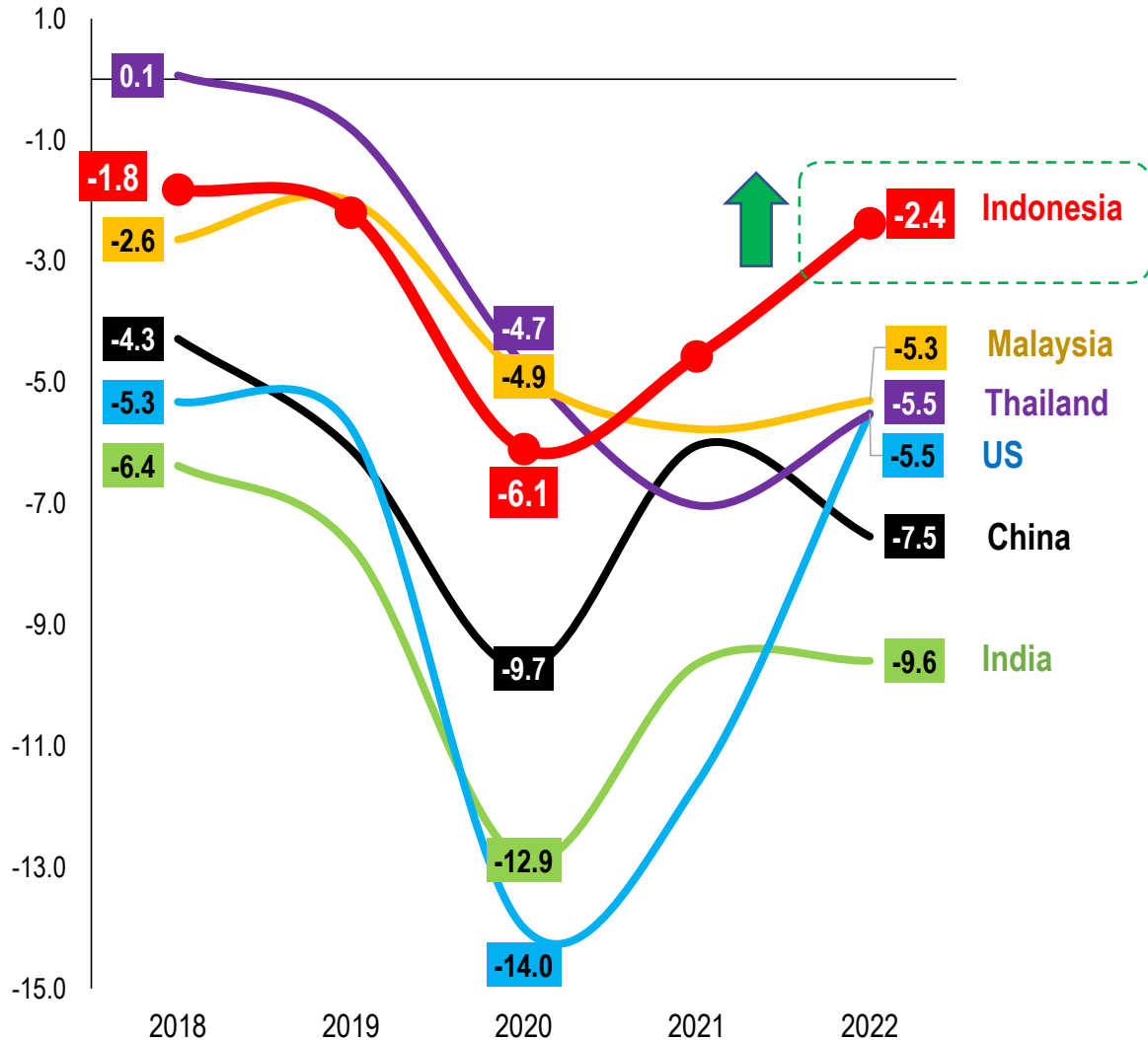
Price volatility

Financial sector instability

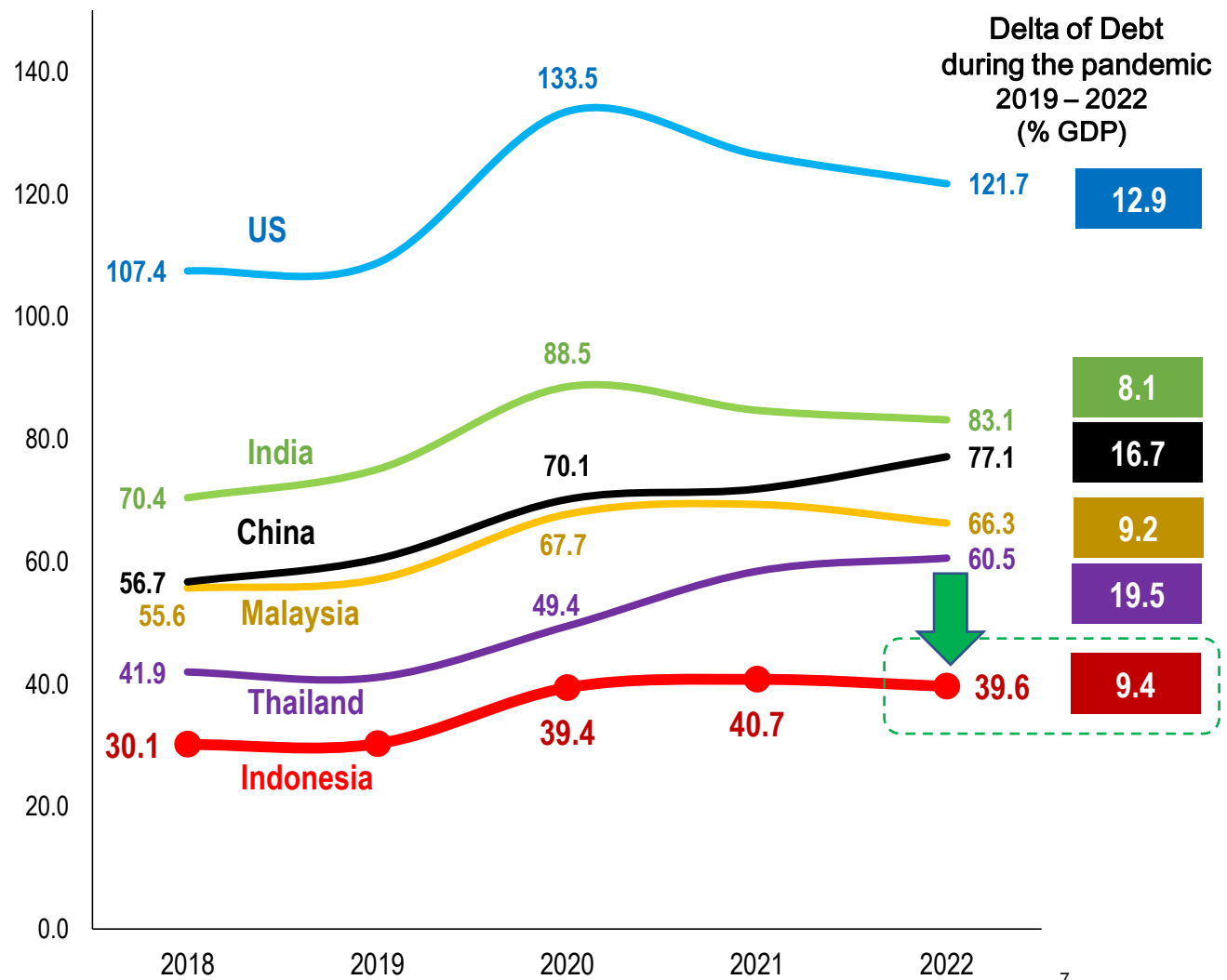
# INDONESIA'S COUNTERCYCLICAL FISCAL POLICY HAS BEEN PRUDENTLY DESIGNED AND EFFECTIVE IN REVIVING THE ECONOMY

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

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



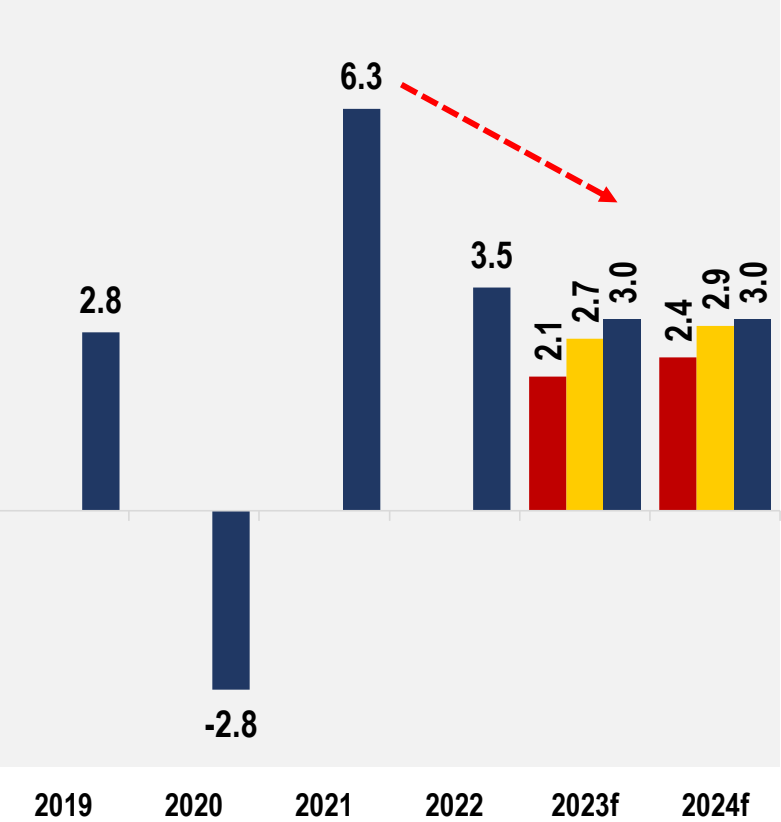
## Debt Ratio Before and After the Pandemic (% GDP)



# SHORT TERM GLOBAL OUTLOOK IS SUBDUED, BUT INDONESIA REMAINS AS ONE OF THE BRIGHT SPOTS

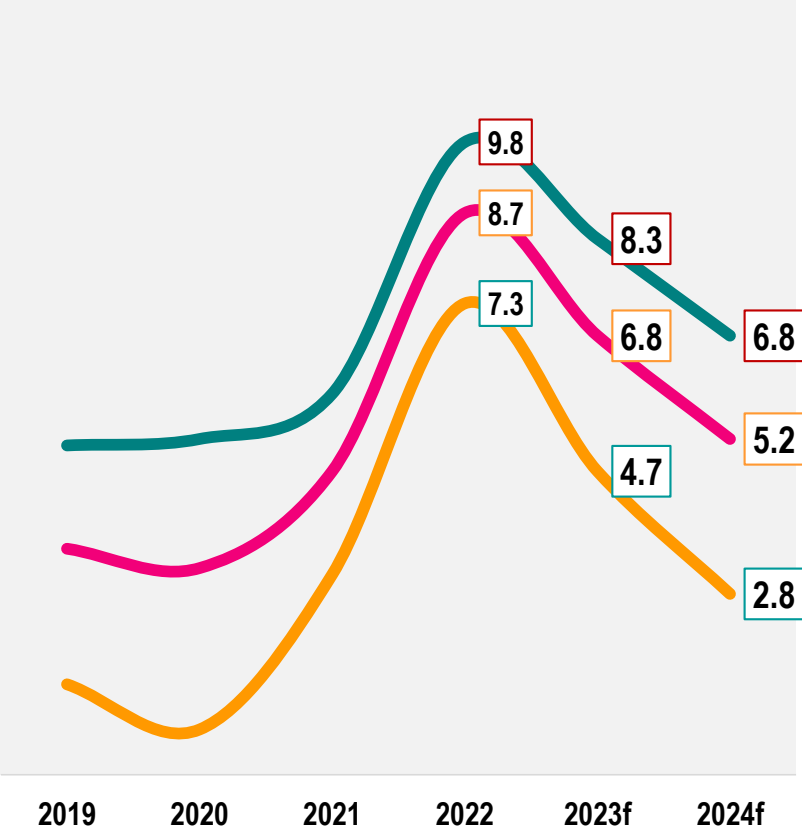
Global GDP Growth, % yoy

■ WB Jun '23   ■ OECD Jun '23   ■ IMF Jul '23

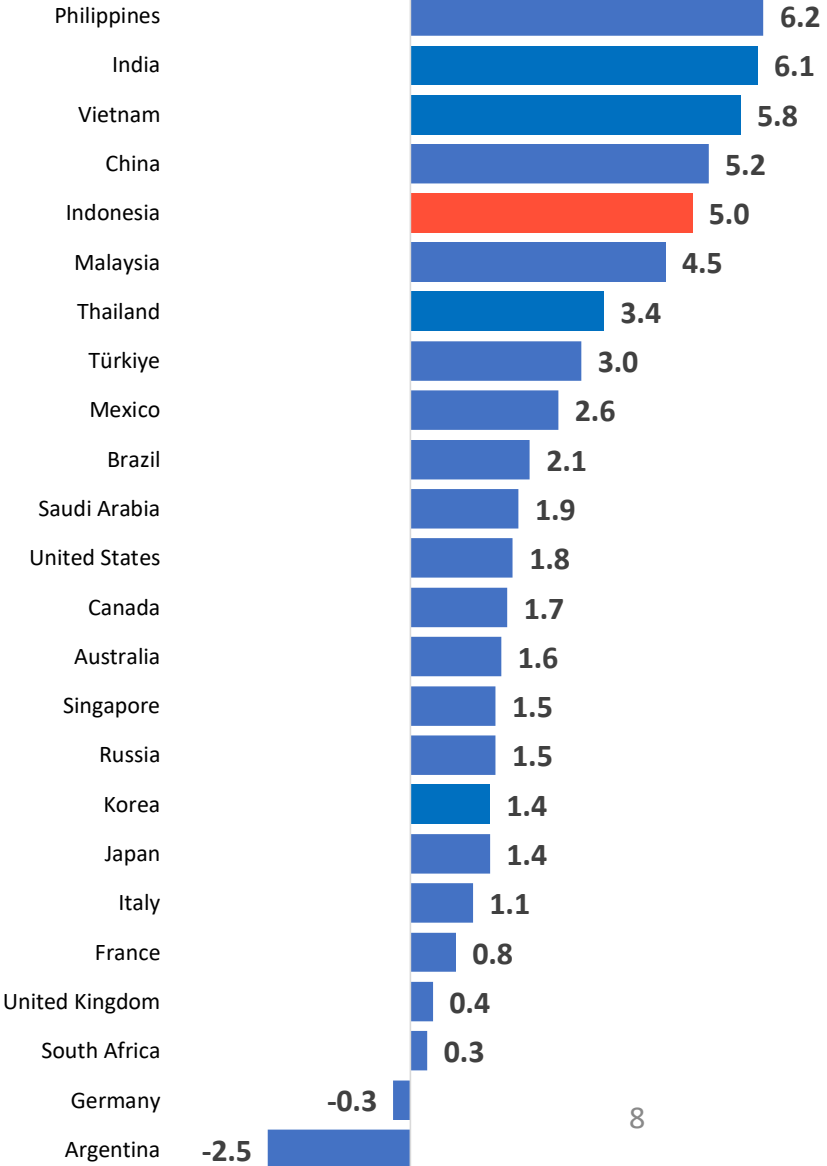


Inflation Rate by IMF, % yoy

— Developing Countries   — World   — Developed Countries



2023 GDP Growth Outlook by IMF  
G-20 & ASEAN-6 (%yoy)



Risks remain tilted to the downside

- ✓ Persistently high inflation
- ✓ Higher for longer policy rate
- ✓ Financial sector turbulence
- ✓ Intensifying War in Ukraine
- ✓ Geoeconomic Fragmentation
- ✓ Debt distress

Source: IMF, World Bank, OECD, processed

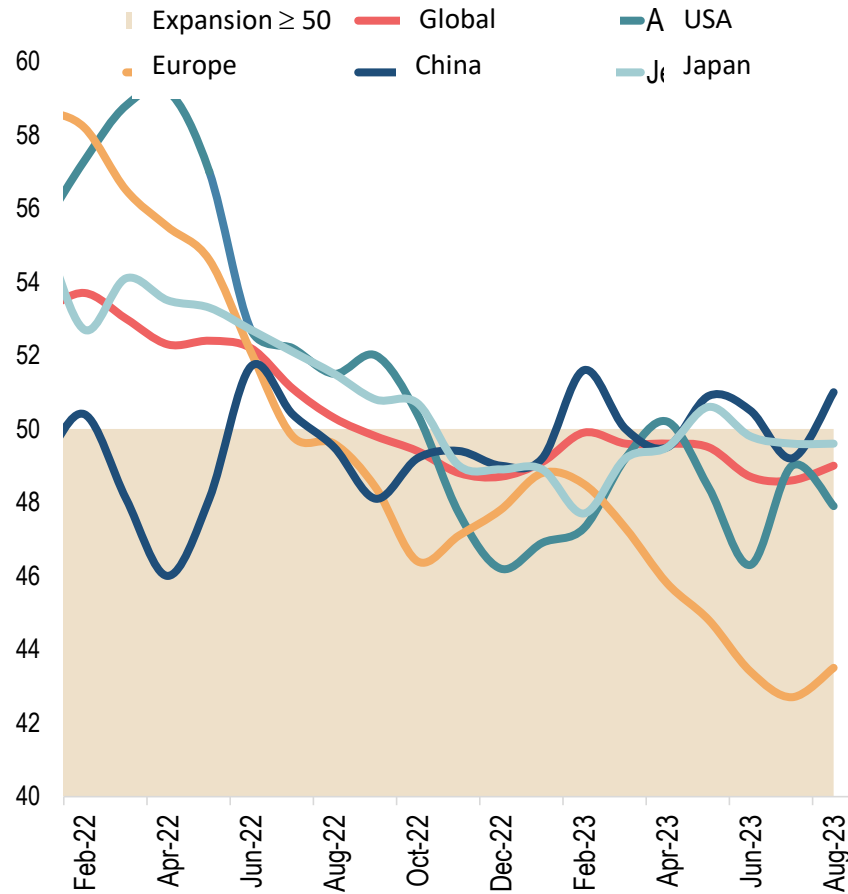


# GLOBAL MANUFACTURING PMI REMAINS IN CONTRACTION ZONE – INDONESIA'S PMI CONTINUES TO STRENGTHEN

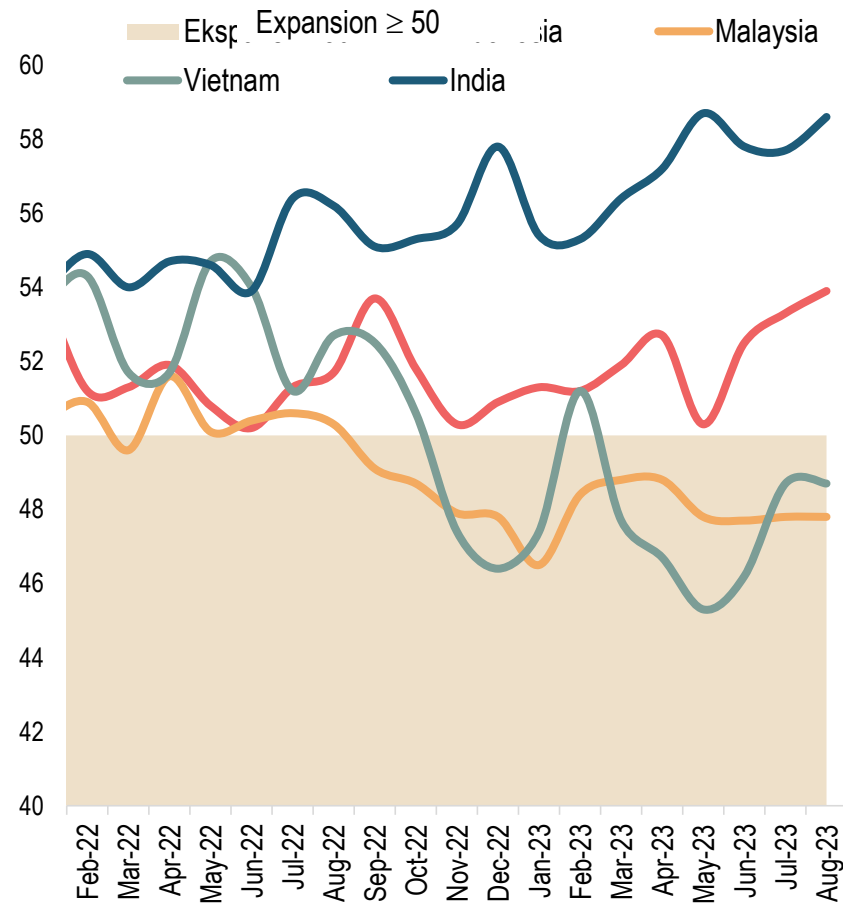
China and Brazil's manufacturing sectors are expanding, while the US and Europe's PMIs remain in contraction

## MANUFACTURING PMI AS OF AUGUST 2023

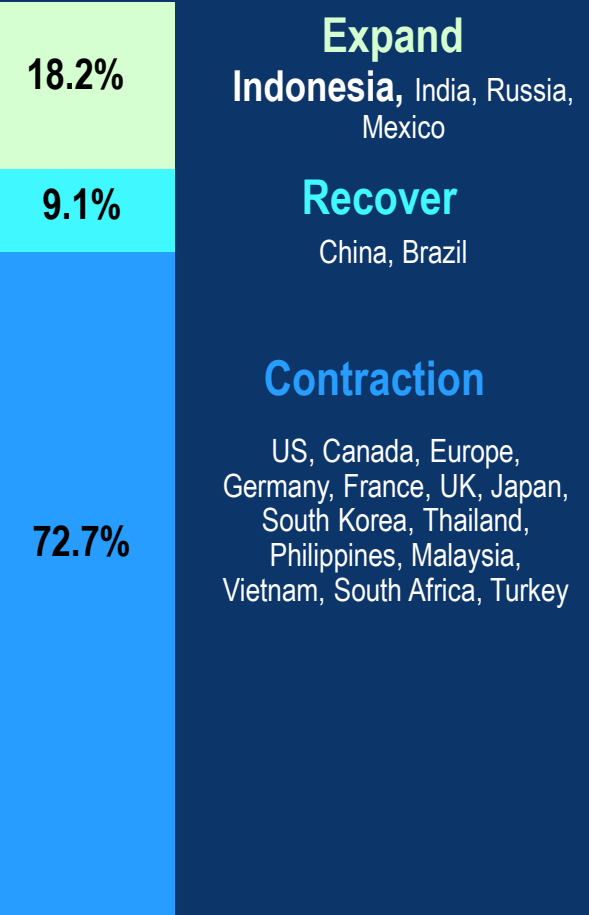
### Advanced Economies



### Asian Economies



Distribution of Manufacturing PMI for August 2023 in G20 and ASEAN-6 countries (excluding SGP, SAU, ARG)





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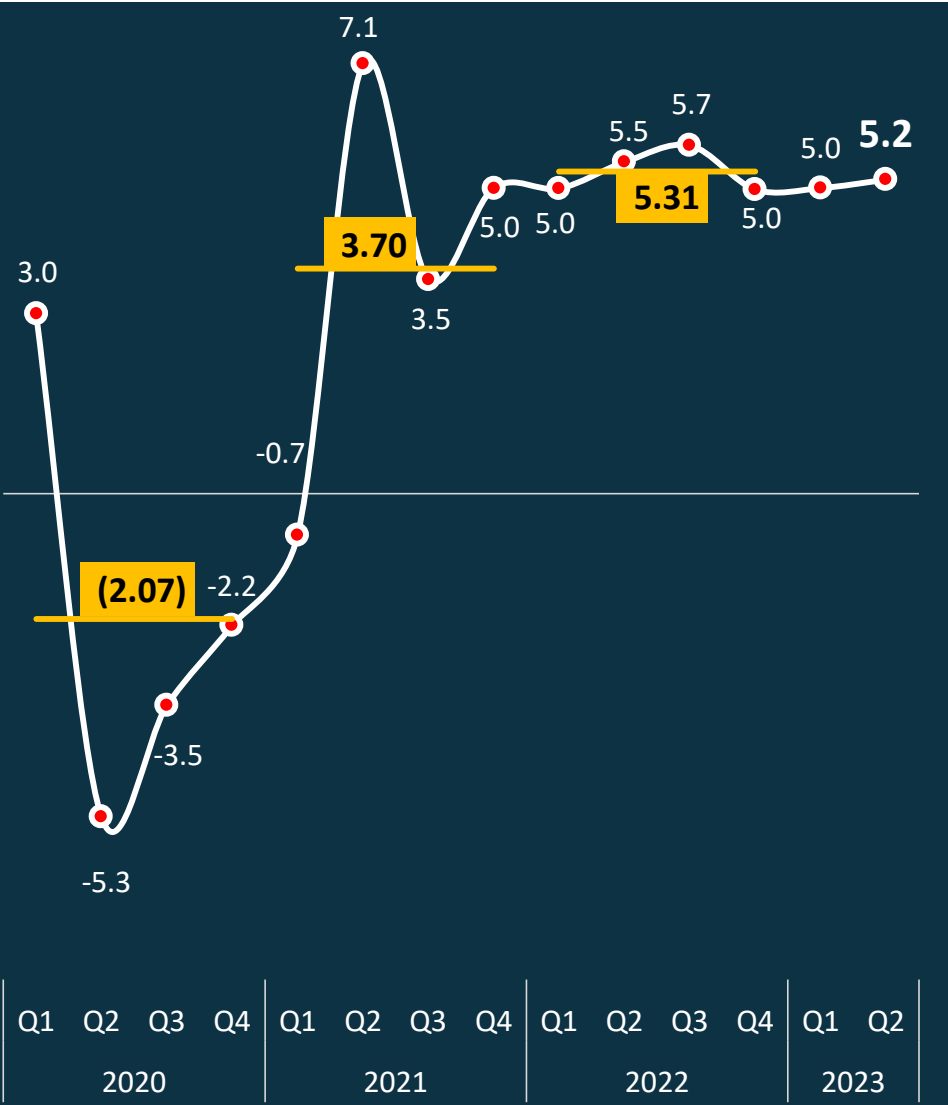
## DOMESTIC UPDATES

# INDONESIA'S ECONOMIC GROWTH RESILIENCE IS SUSTAINED

Indonesia's economic expansion accelerates amidst increasing global economic uncertainty

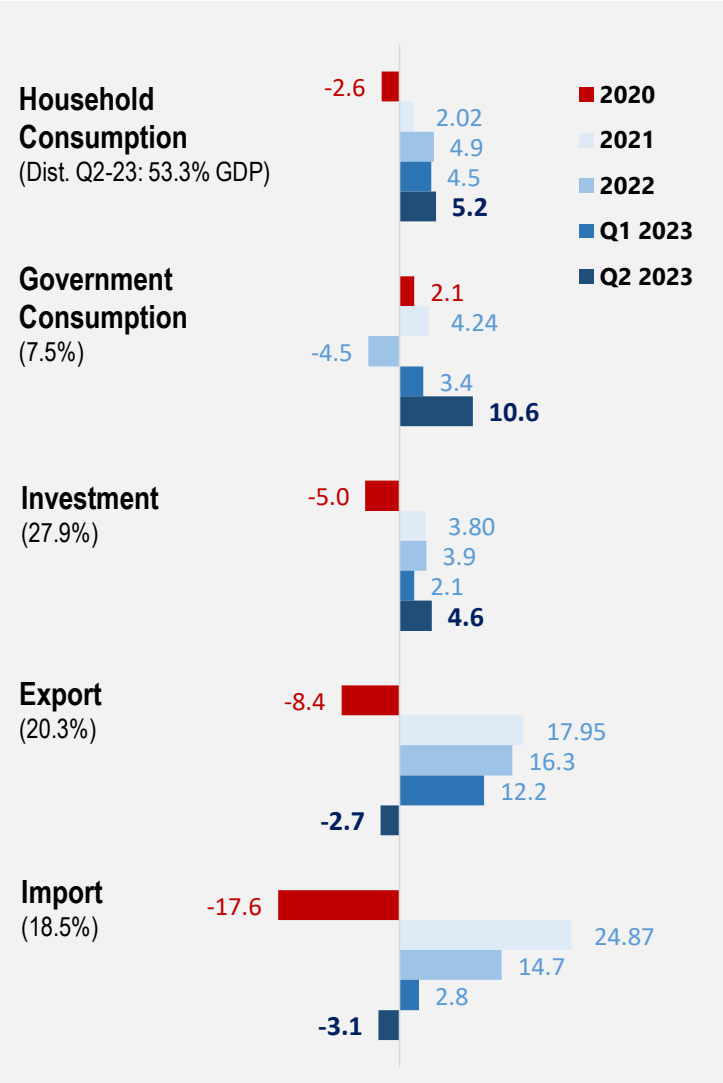
## GDP Growth (%.yoy)

Source: Statistics Indonesia



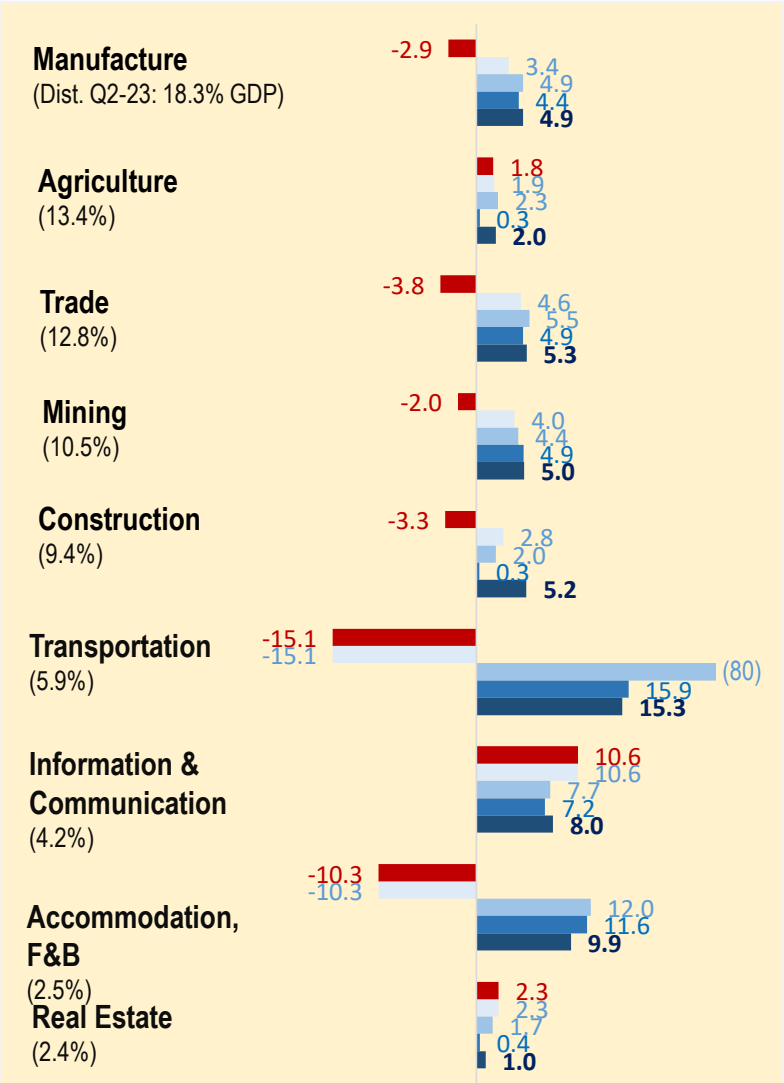
## Growth by Expenditure (%)

Source: Statistics Indonesia



## Growth by Production (%)

Source: Statistics Indonesia

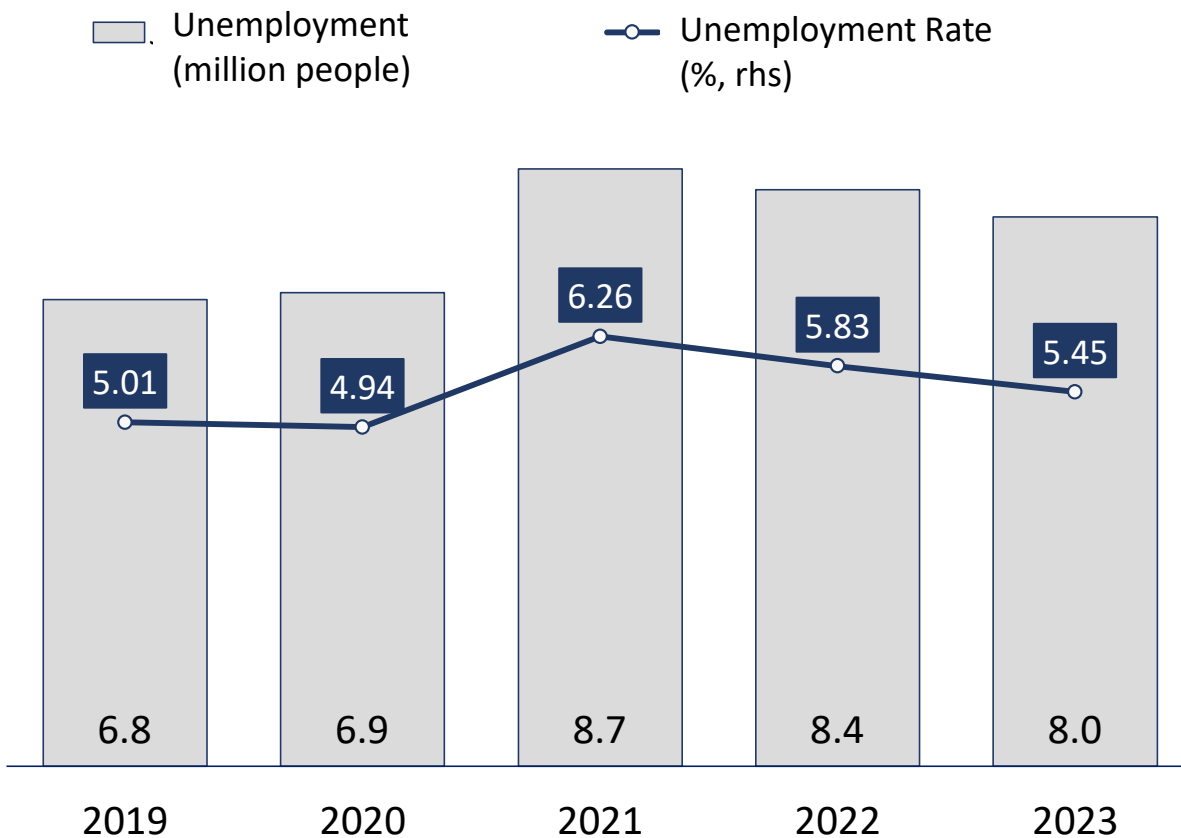


# QUALITY GROWTH PERFORMANCE

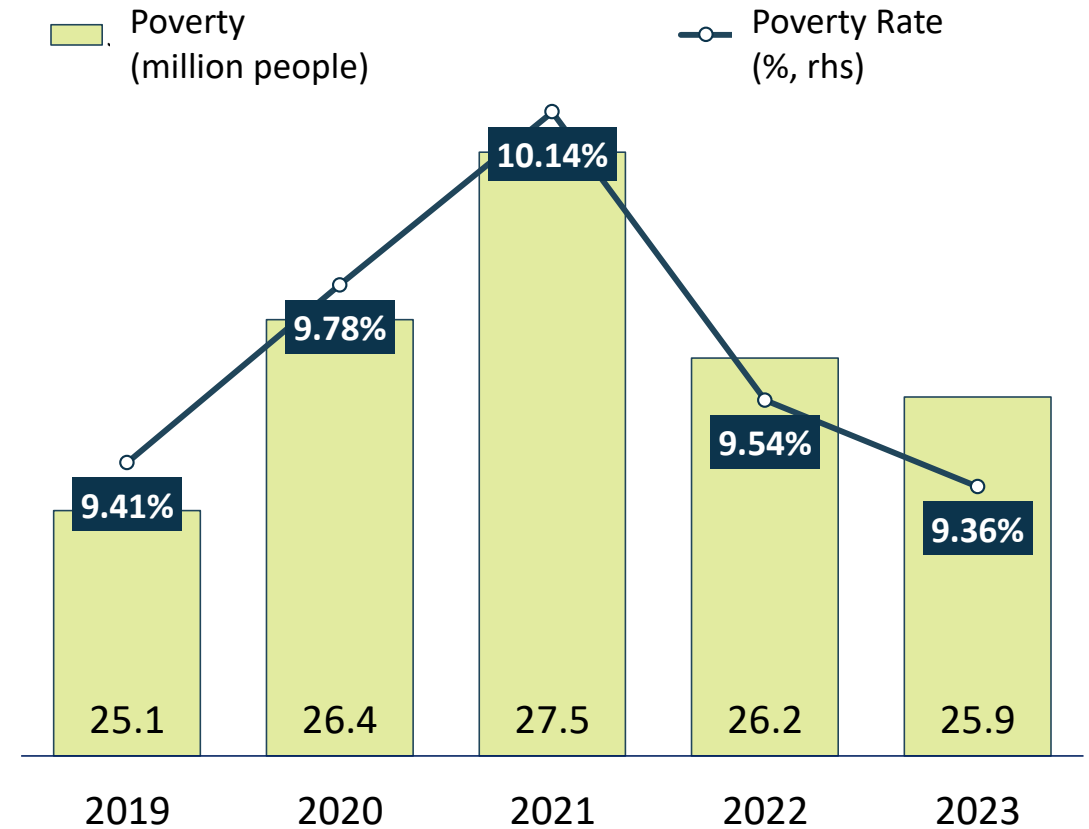
Creating jobs & lifting people out of poverty

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

## Unemployment Rate



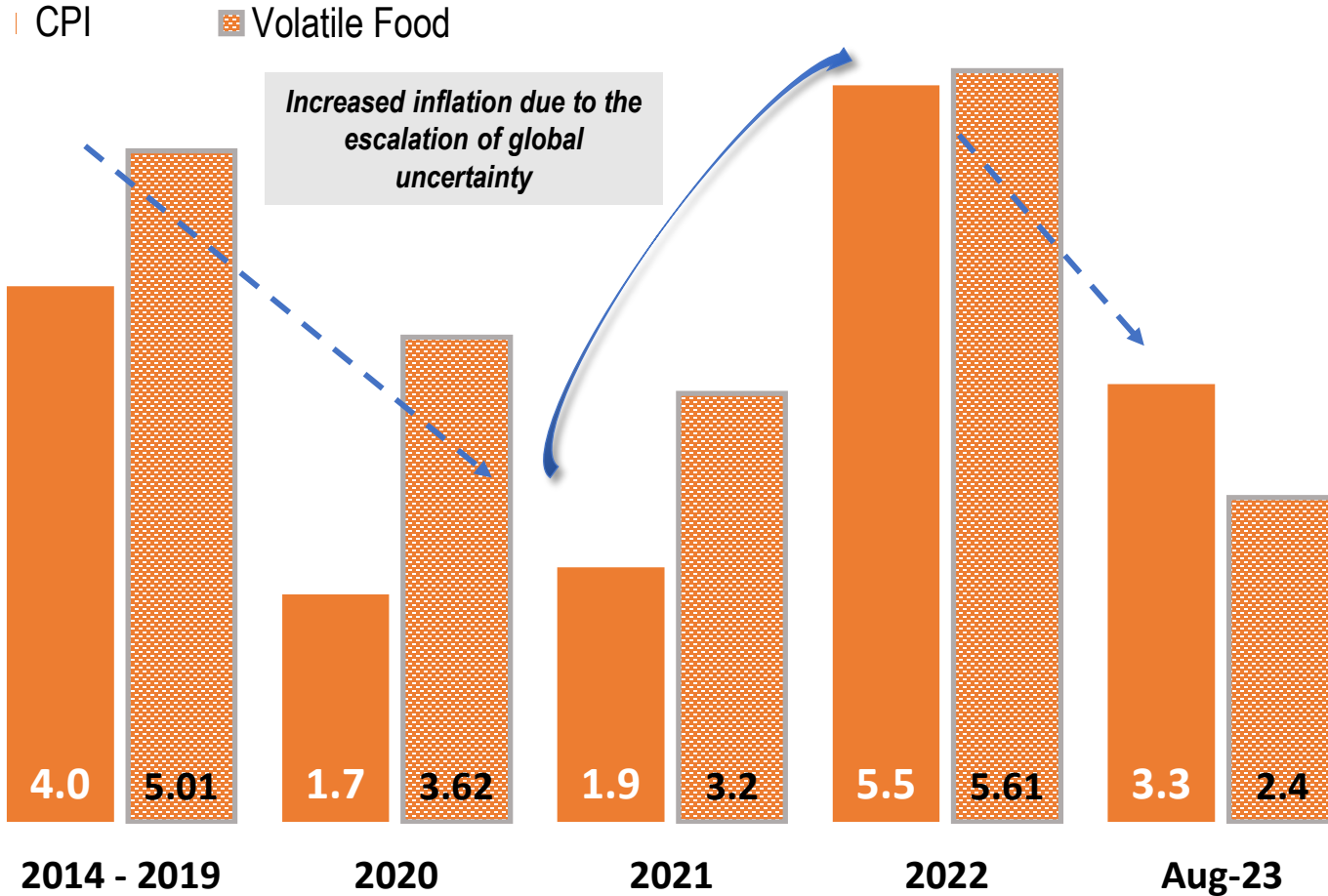
## Poverty Rate



# INDONESIA HAS SUCCESSFULLY & QUICKLY LOWERED INFLATION

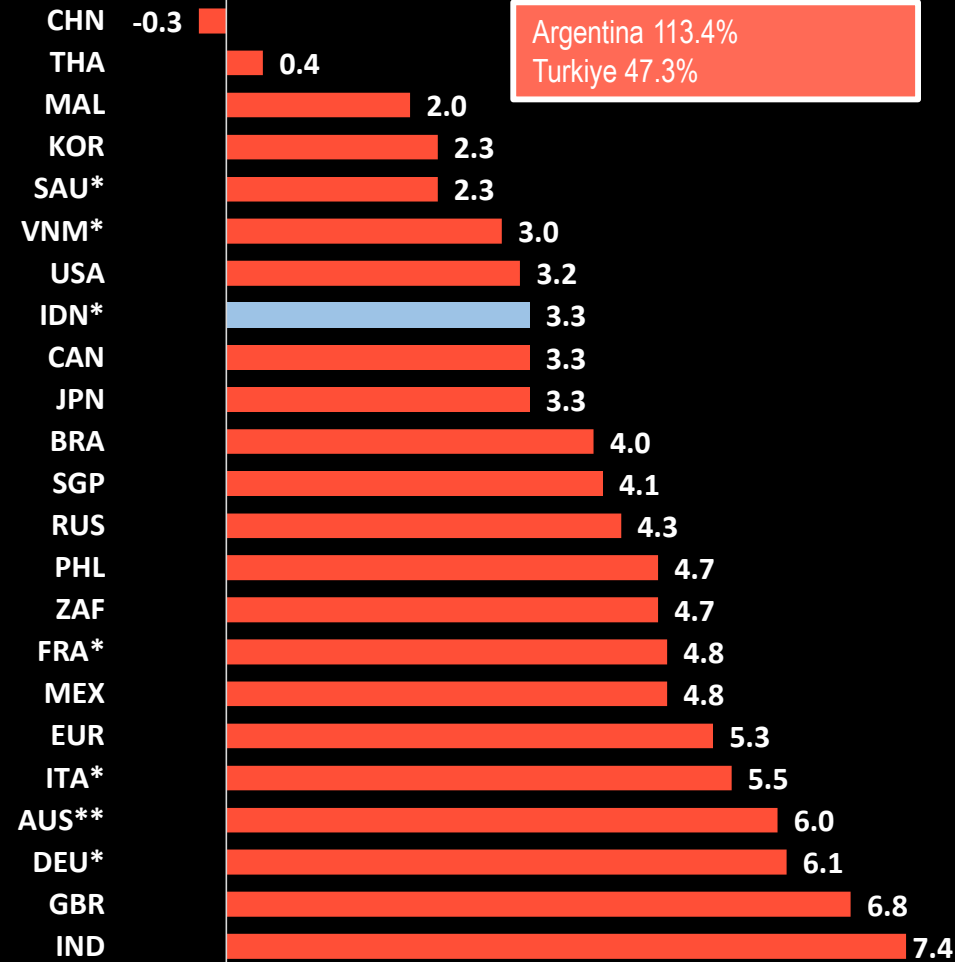
The Inflation Controlling Team (TPIP & TPID) has effectively contained the supply side of inflationary pressures

## INDONESIA'S INFLATIONARY RATE (% YOY)



Source: Statistics Indonesia

## COUNTRIES' INFLATION (% YOY)



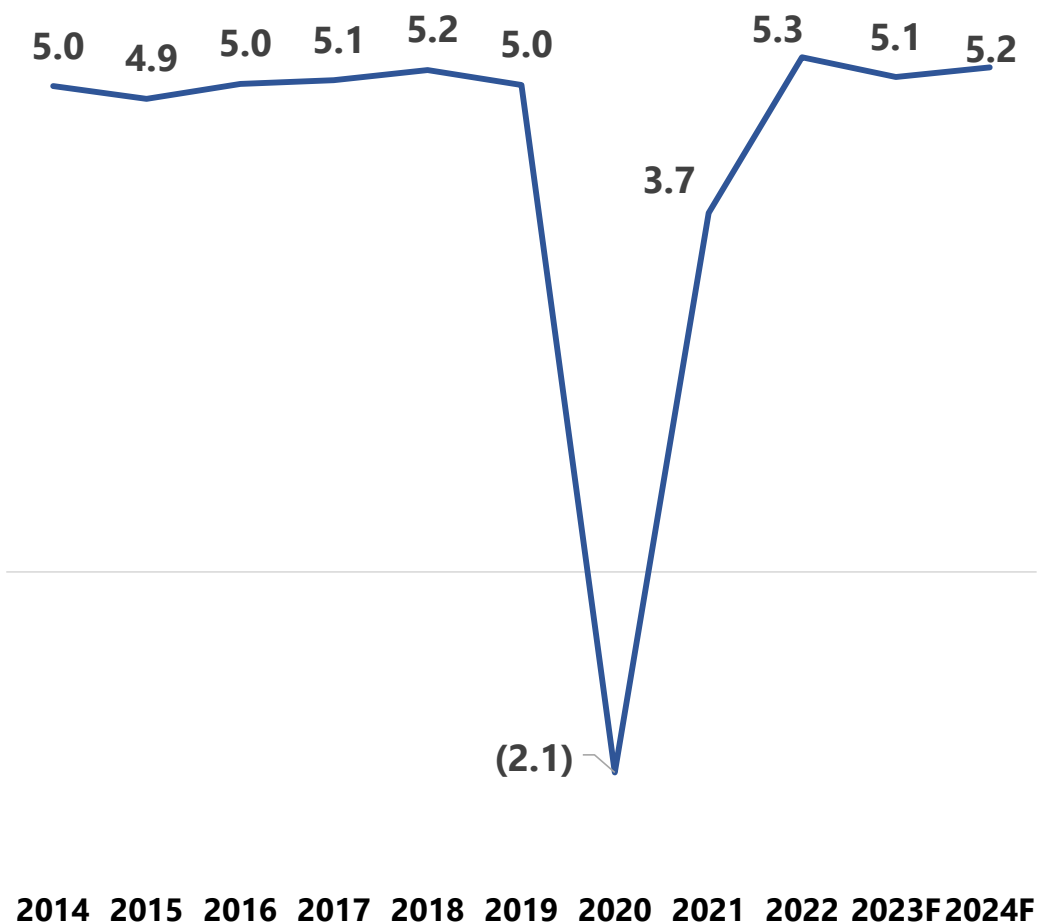
\*Aug 2023 Inflation \*\* Jun 2023 Inflation  
Source: Bloomberg

# 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, MoF forecast



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

(in %)	2023	2024
<b>IMF (WEO July)</b>	5.0	5.0
<b>World Bank (GEP June)</b>	4.9	4.9
<b>Bloomberg Consensus (June)</b>	4.9	5.0
<b>OECD (June)</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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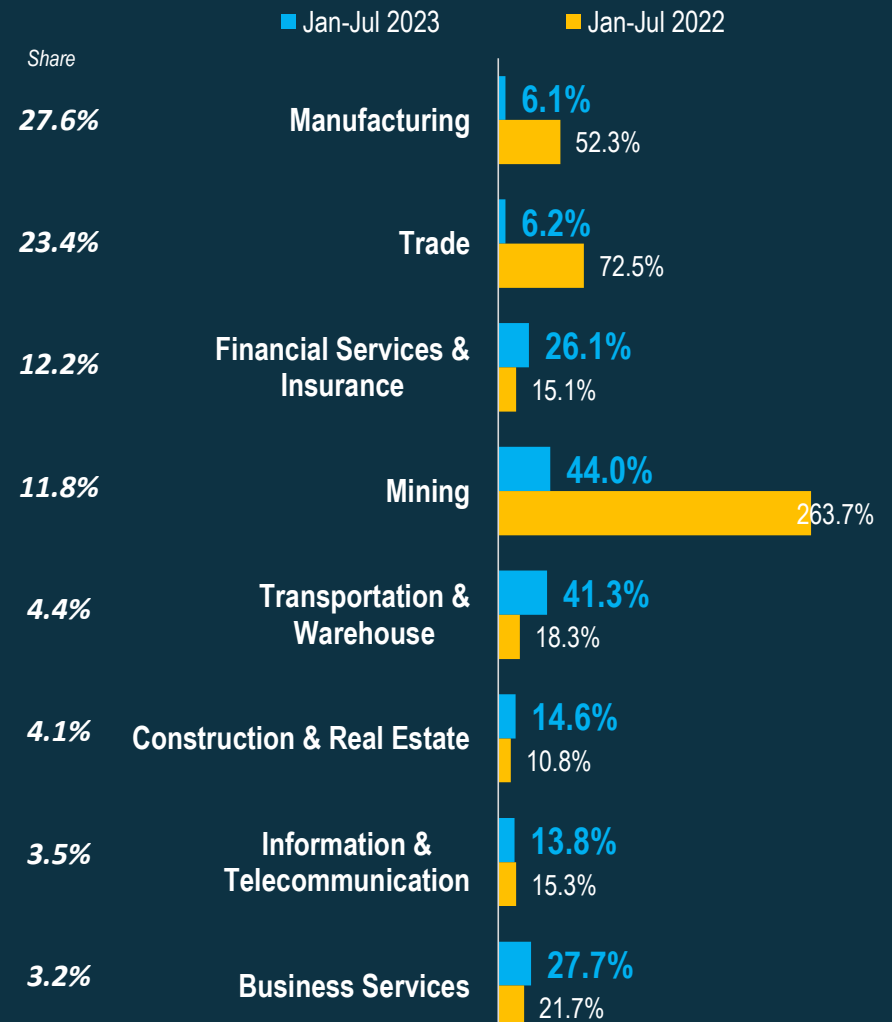


## FISCAL PERFORMANCE

# SOLID BUDGET PERFORMANCE CONTINUES IN 2023

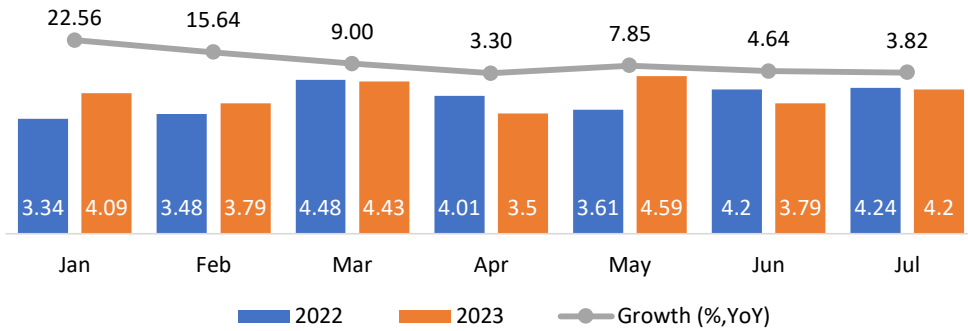
Account (IDR tn)	2022				2023			
	Perpres 98/2022	Realization as of 31 <sup>st</sup> July	% to Budget	Growth (%)	Budget	Realization as of 31 <sup>st</sup> July	% to Budget	Growth (%)
<b>A. REVENUE</b>	<b>2,266.2</b>	<b>1,551.2</b>	<b>68.4</b>	<b>50.4</b>	<b>2,463.0</b>	<b>1,614.8</b>	<b>65.6</b>	<b>4.1</b>
I. Tax Revenue	1,784.0	1,213.6	68.0	53.8	2,021.2	1,258.9	62.3	3.7
1. Tax	1,485.0	1,028.5	69.3	58.8	1,718.0	1,109.1	64.6	7.8
2. Custom & Excise	299.0	185.1	61.9	31.1	303.2	149.8	49.4	(19.1)
II. Non-Tax Revenue	481.6	337.3	70.0	39.2	414.4	355.5	80.6	5.4
<b>B. EXPENDITURE</b>	<b>3,106.4</b>	<b>1,444.6</b>	<b>46.5</b>	<b>5.6</b>	<b>3,061.2</b>	<b>1,461.2</b>	<b>47.7</b>	<b>1.2</b>
I. Central Gov't	2,301.6	1,031.0	44.8	8.2	2,246.5	1,020.4	45.4	(1.0)
1. Line Ministries	945.8	490.7	51.9	(10.7)	1,000.8	493.0	49.3	0.5
2. Non Line Ministries	1,355.9	540.4	39.9	33.9	1,245.6	527.4	42.3	(2.4)
II. Transfer to Regions	804.8	413.6	51.4	(0.5)	814.7	440.9	54.1	6.6
<b>C. PRIMARY BALANCE</b>	<b>(434.4)</b>	<b>316.6</b>	<b>(72.9)</b>	<b>320.7</b>	<b>(156.8)</b>	<b>394.5</b>	<b>(251.7)</b>	<b>24.6</b>
<b>D. SURPLUS (DEFICIT)</b>	<b>(840.2)</b>	<b>106.6</b>	<b>(12.7)</b>	<b>131.7</b>	<b>(598.2)</b>	<b>153.5</b>	<b>(25.7)</b>	<b>44.0</b>
<b>% to GDP</b>	<b>(4.50)</b>	<b>0.54</b>			<b>(2.84)</b>	<b>0.72</b>		
<b>E. FINANCING</b>	<b>840.2</b>	<b>197.5</b>	<b>23.5</b>	<b>(56.0)</b>	<b>598.2</b>	<b>163.9</b>	<b>27.4</b>	<b>(17.0)</b>

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





# IMPORT DUTY REVENUE IS WELL MAINTAINED, BUT EXPORT DUTY AND EXCISE ARE DECREASING



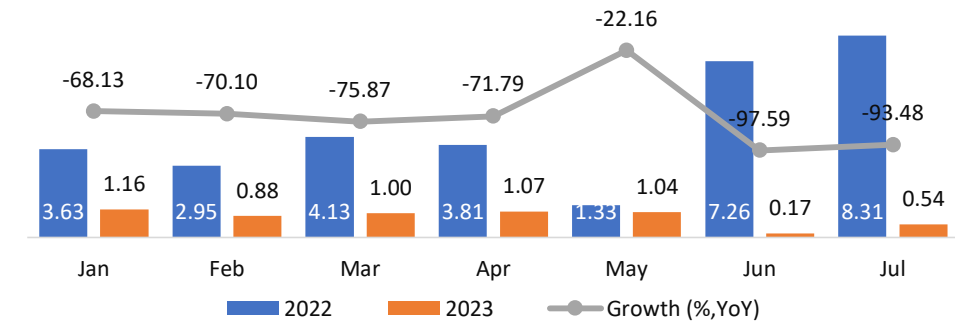
IDR Trillion

	Jan-Jul	YoY
2022	27.35	31.54%
2023	28.40	3.82%

Up to June 2023 **4.64%**

## Import Duty Revenue

increase in Import Duty performance can be attributed to the effective tariff rising to 1.45%, driven by the growth in imports of commodities with BM rates exceeding 10% (such as vehicles, iron, steel, etc.), and the USD exchange rate strengthening by 4.06% (yoy).



IDR Trillion

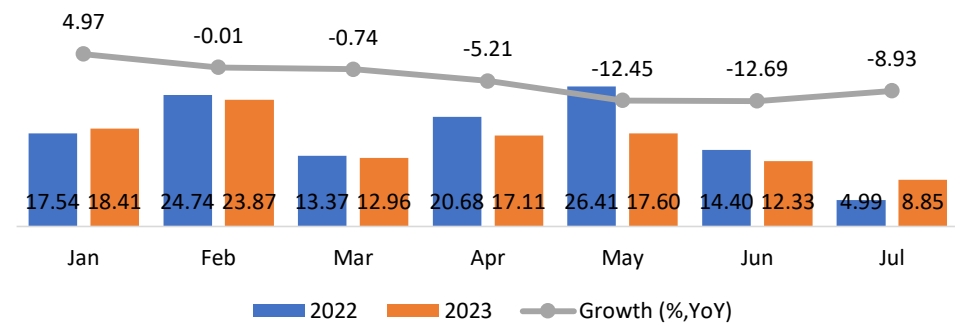
	Jan-Jul	YoY
2022	31.41	97.84%
2023	5.86	-81.34%

Up to June 2023 **-76.97%**

## Export Duty Revenue

Revenue from export duty until July 2023 has decreased by -81.34% (year-on-year), influenced by the following factors:

- Export Duty from palm oil products has decreased by -81.67% (yoy) due to lower CPO prices compared to the previous year and the flush out policy implemented in 2022.
- Export Duty from copper has decreased by -81.43% (yoy) due to a decline in copper export volume (-26.31% yoy).



IDR Trillion

	Jan-Jul	YoY
2022	122.14	20.63%
2023	111.23	-8.93%

Up to June 2023 **-12.61%**

## Tobacco Excise Tax

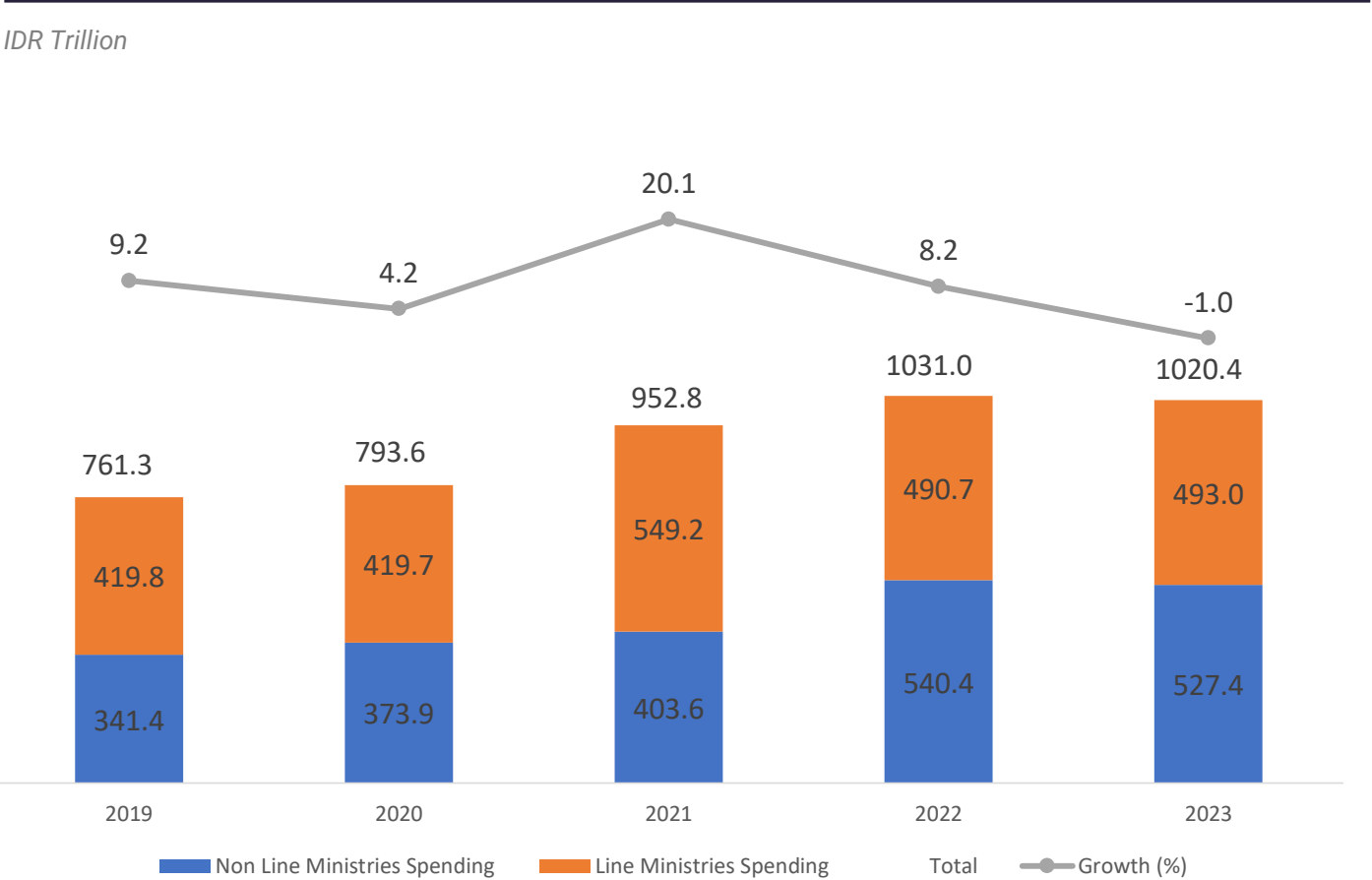
Revenue from tobacco excise Tax until July amounted to Rp111.23 trillion, reflecting a decrease of 8.93% compared to the same period last year. This decline is attributed to:

- A cumulative production decrease of 3.69% (yoy) until May.
- An average weighted tariff increase of only 2.02%, significantly lower than the anticipated 10%. This is caused by the production reduction in goods and services with high tariffs (SKM and SPM category 1).

# CENTRAL GOVERNMENT SPENDING REACHES 45.4% OF GOVERNMENT BUDGET TARGET

Central Government Spending

IDR Trillion



1

Spending by the Ministry/Agency amounted to IDR493.0 trillion\* (49.3% of the budget ceiling), driven by the accelerated completion of priority infrastructure projects, distribution of various social assistance programs, support for election preparation, and the implementation of National Strategic Projects.

\*) This includes personnel expenses, goods expenses, capital expenses, and social assistance expenses..

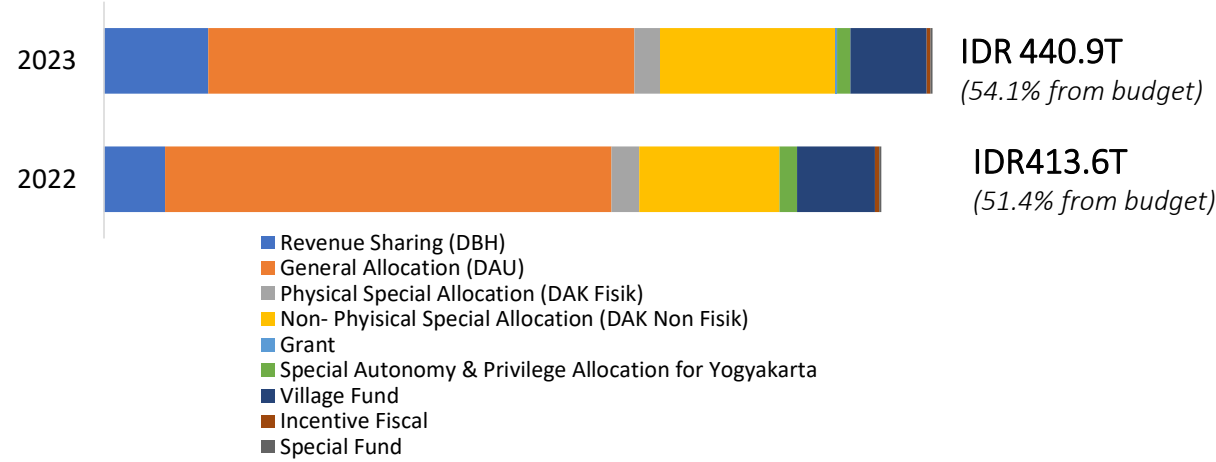
2

Non-Ministry/Agency Expenditures amounted to IDR527.4 trillion (42.3% of the budget ceiling), including the realization of subsidies and compensation (for fuel and electricity), the Pre-Employment Card program, as well as fertilizer subsidies.

# INCREASED TRANSFER TO REGIONS WITH IMPROVED GOVERNANCE

## Transfer to Region Fund

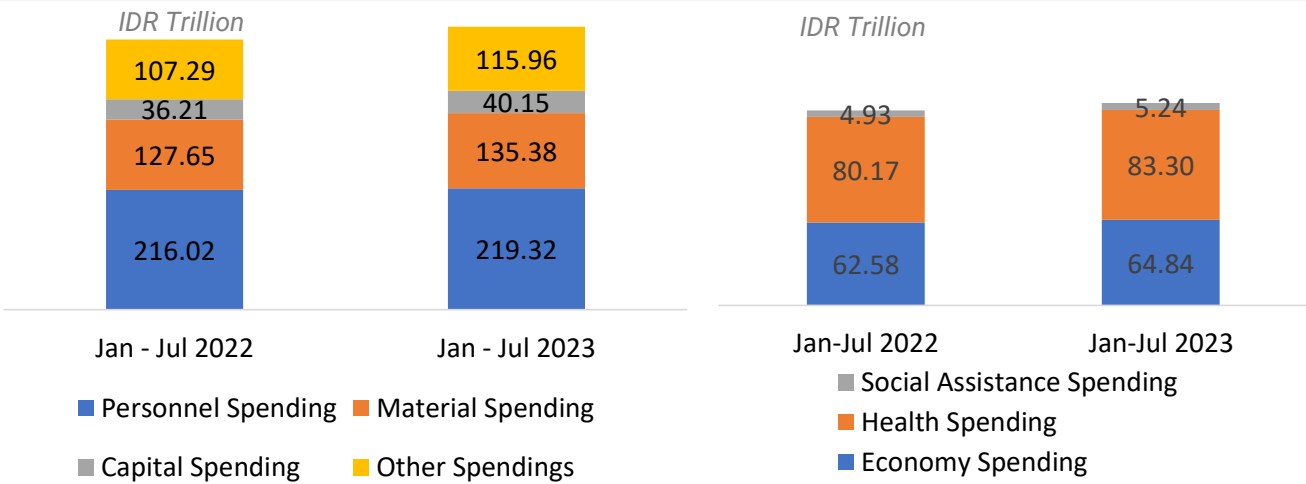
(January – June)



- DBH is higher, especially for Tobacco Excise, Mining, and Oil & Gas sectors in 2023.
- Non-Physical Special Allocation Fund increased due to better compliance.
- DAU is lower as local governments prepare stage 2 of 3 for disbursement.
- Autonomy Funds and Incentives are down due to pending requirements.
- Physical Special Allocation Fund is nominally lower, but percentage disbursement increased.
- Village Fund reduced due to utilization adjustments.

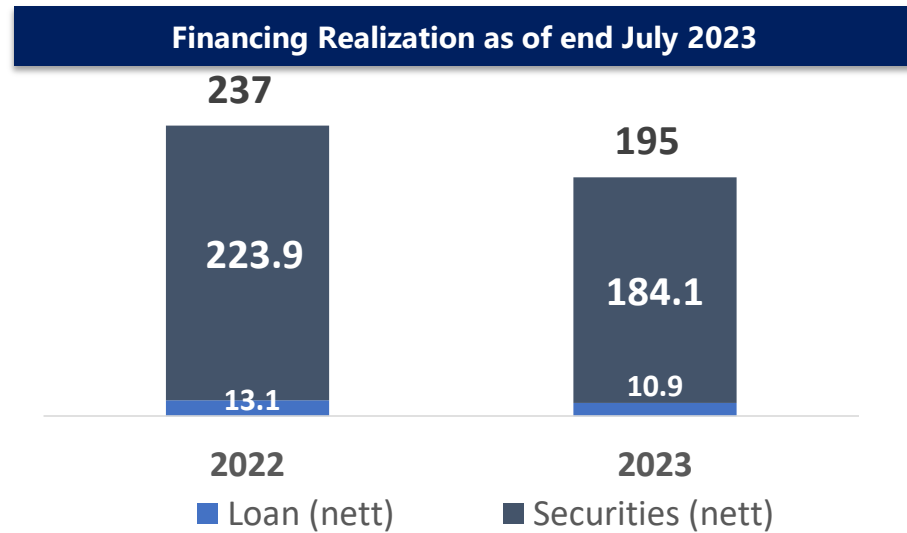
## Local Government Performance

Expenditure in the regional budget (APBD) has been positively influenced by better utilization in employee costs, public services, capital investment, and other expenditures. Sustaining this favorable trend is crucial until the end of the year.



Source: Ministry of Finance

# UP TO JULY 2023, BUDGET FINANCING CONTROLLED AMID GLOBAL MARKET VOLATILITY & GOVERNMENT LIQUIDITY



**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 July 31, 2023, a total of 133,200 FLPP (Housing Financing Liquidity Facility) homes have been disbursed to low-income communities across 386 cities/regencies, with a total value of IDR 13.4 trillion.



**State Asset Management Agency**

As of June 2023, funding amounting to IDR114.2 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 Dec 2023 IDR 139.11T



**International Development Cooperation Fund (LDKPI)**

Grant disbursement: IDR49.9B to 34 countries, incl. Timor Leste, Solomon Islands, Fiji, Pakistan, Afghanistan, Palestine, Ethiopia, OACPS Secretariat, etc.

# FISCAL POLICY DIRECTED TO SUPPORT ACCELERATION OF ECONOMIC TRANSFORMATION

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



Vision Advancing Indonesia 2045

## Short-term Policy Focus

*Inflation control (price stability)*

*Eradication of extreme poverty*

*Reduction of stunting prevalence*

*Increased investment*

**The role of the budget policy:**  
Stabilization and addressing urgent issues (Stunting, extreme poverty)

## Medium – Long Policy Focus

*Human Capital Gap*

*Infrastructure Gap*

*Institutional Gap*

**The role of the budget policy:**  
Accelerating Structural Reforms

## Transformasi Ekonomi

**Productivity**  
Low → High

**Value Added**  
Low → High

**Environmental**  
*Brown → clean & green*

**Economic Base**  
*Narrow → Broad-based & inklusif*





## MACRO ECONOMIC ASSUMPTIONS



Economic  
Growth

**5.1**  
% (yoy)

**5.2**  
% (yoy)



Inflation

**3.1**  
% (yoy)

**2.8**  
% (yoy)



Exchange rate

**IDR15,100/USD**

**IDR15.000/US\$**



Oil Price/  
ICP

**USD78/barrel**

**USD80/barrel**



10Y T-Bonds  
Rate

**6.8%**

**6.7%**



Oil Lifting

**614**  
Thousand bpd

**625**  
Thousnad bpd



Gas Lifting

**985**  
Thousand bsm pd

**1,033**  
Thousand bsm pd

# 2024 BUDGET PLAN

## DEFICIT (% of GDP)

2024: IDR522.8 T (2.29%)

2020: IDR947.7 (6.14%)

▼  
IDR424.9 T

## REVENUE

2024: IDR2,781.3 T

2020: IDR1,647.3 T

(▲ IDR1,133.5 T)



## EXPENDITURE

2024: IDR3,304.1 T

2020: IDR2,595.5 T

(▲ IDR708.7 T)

## FINANCING

2024: IDR522.8 T

2020: IDR1,193.3 T

▼ IDR670.5 T

▲ Increase (2024 Compared to 2020)

▼ Decrease (2024 Compared to 2020)

# BUDGET PRIORITIES 2024 TO SUPPORT ECONOMIC TRANSFORMATION



## Education (IDR660.8 T)

Improve access and quality of education in Indonesia & educational infrastructure, especially in the 3T (frontier, outermost, and underdeveloped) regions

## Health (IDR186.4 T)

Accelerate stunting reduction, strengthen technology and pharmaceutical self-reliance, enhance National Health Insurance, and improve healthcare system reliability.

## Social Protection (IDR493.5 T)

Provide financial assistance and basic necessities to the extremely poor, Strengthen Lifelong Social Welfare, Graduation from Poverty, Adaptive Social Protection

## Infrastructure (IDR422.7 T)

Develop infrastructure in ICT, energy, food, and connectivity sectors, accelerate completion of National Strategic Projects (IKN), particularly in connectivity infrastructure.

## Food Security (IDR108.8 T)

Boosting domestic food production, improving agricultural storage and processing facilities, enhancing logistics and connectivity, and strengthening the national food reserve.





# THANK YOU

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FISCAL POLICY AGENCY, MINISTRY OF FINANCE,  
REPUBLIC OF INDONESIA

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# THE 2024 BUDGET FOR FOSTERING SUSTAINABLE DEVELOPMENT

Towards Economic Transformation and Welfare

Account (IDR Tn)	2020 Audited	2023		2024	
		Budget	Outlook	Budget Plan	Growth <sup>1</sup> (%)
<b>Revenue</b>	<b>1,647.8</b>	<b>2,463.6</b>	<b>2,637.2</b>	<b>2,781.3</b>	<b>5.5</b>
Tax Revenue	1,285.1	2,021.2	2,118.3	2,307.9	8.9
1. Tax	1,072.1	1,718.0	1,818.2	1,986.9	9.3
2. Custom and Excise	213.0	303.2	300.1	321.0	7.0
Non Tax Revenue	343.8	441.4	515.8	473.0	(8.3)
<b>Expenditure</b>	<b>2,595.5</b>	<b>3,061.2</b>	<b>3,123.7</b>	<b>3,304.1</b>	<b>5.8</b>
Central Government Expenditure	1,833.0	2,246.5	2,298.2	2,446.5	6.5
1. Line Ministries	1,059.6	1,008.8	1,085.5	1,086.6	0.1
2. Non-Line Ministries	773.3	1,245.6	1,212.8	1,359.9	12.1
Regional Transfer & Village Funds	762.5	814.7	825.4	857.6	3.9
<b>Primary Balance</b>	<b>(633.6)</b>	<b>(156.8)</b>	<b>(49.0)</b>	<b>(25.5)</b>	<b>(47.9)</b>
<b>Surplus (Deficit)</b>	<b>(947.7)</b>	<b>(598.2)</b>	<b>(486.4)</b>	<b>(522.8)</b>	<b>7.5</b>
<i>% to GDP</i>	<i>(6.14)</i>	<i>(2.84)</i>	<i>(2.30)</i>	<i>(2.29)</i>	
<b>Financing</b>	<b>1,193.3</b>	<b>598.2</b>	<b>486.4</b>	<b>522.8</b>	<b>7.5</b>