



MINISTRY OF FINANCE
REPUBLIC OF INDONESIA

RECENT MACROECONOMIC AND FISCAL UPDATE

MINISTRY OF FINANCE
October 2023



The Team

Investor Relation Unit

Abdurohman
Director for Center of Macroeconomic Policy

Rahadian Zulfadin
Senior Analyst

Putri Rizki Yulianti
Analyst

Bagus Handoko
Staff

Innes Clara Shinta
Staff



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01



GLOBAL UPDATE & RISKS

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

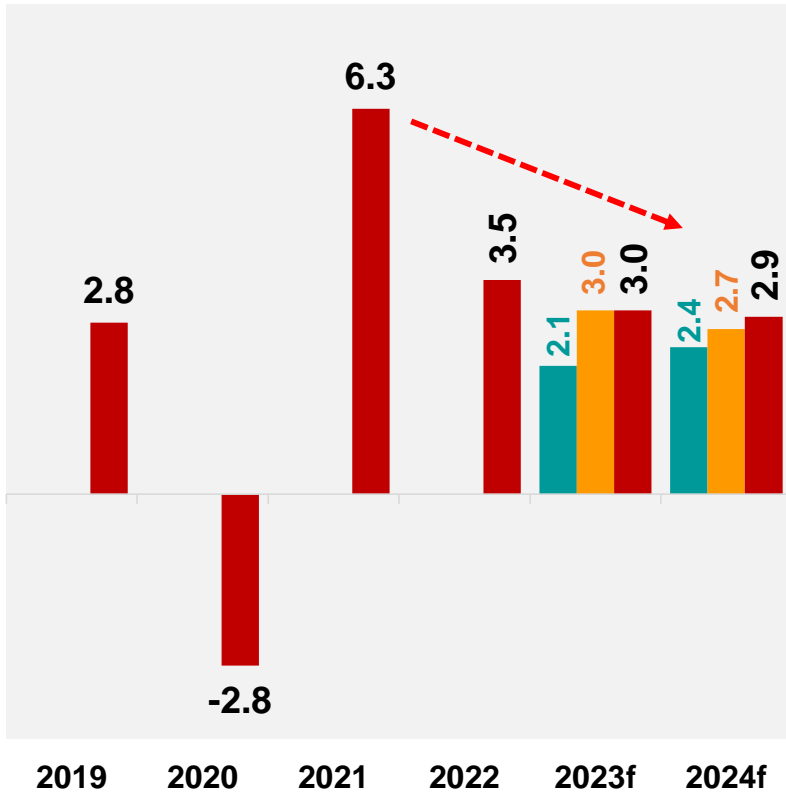
Price volatility

Financial sector instability

IMF PROJECTS ECONOMIC GROWTH REMAINS WEAK & UNEVEN

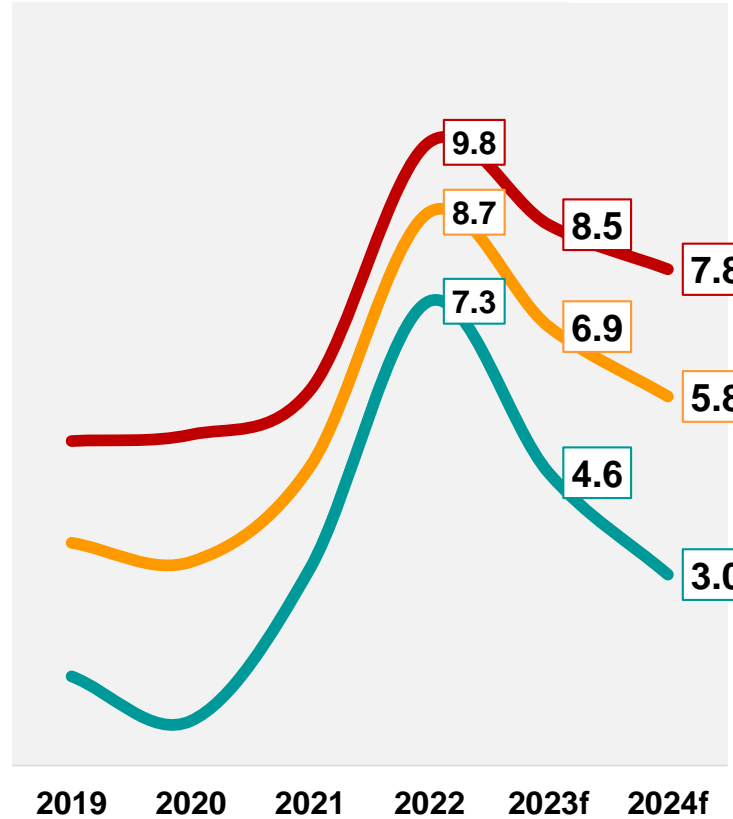
Global GDP Growth, % yoy

■ WB Okt '23 ■ OECD Sep '23 ■ IMF Okt '23

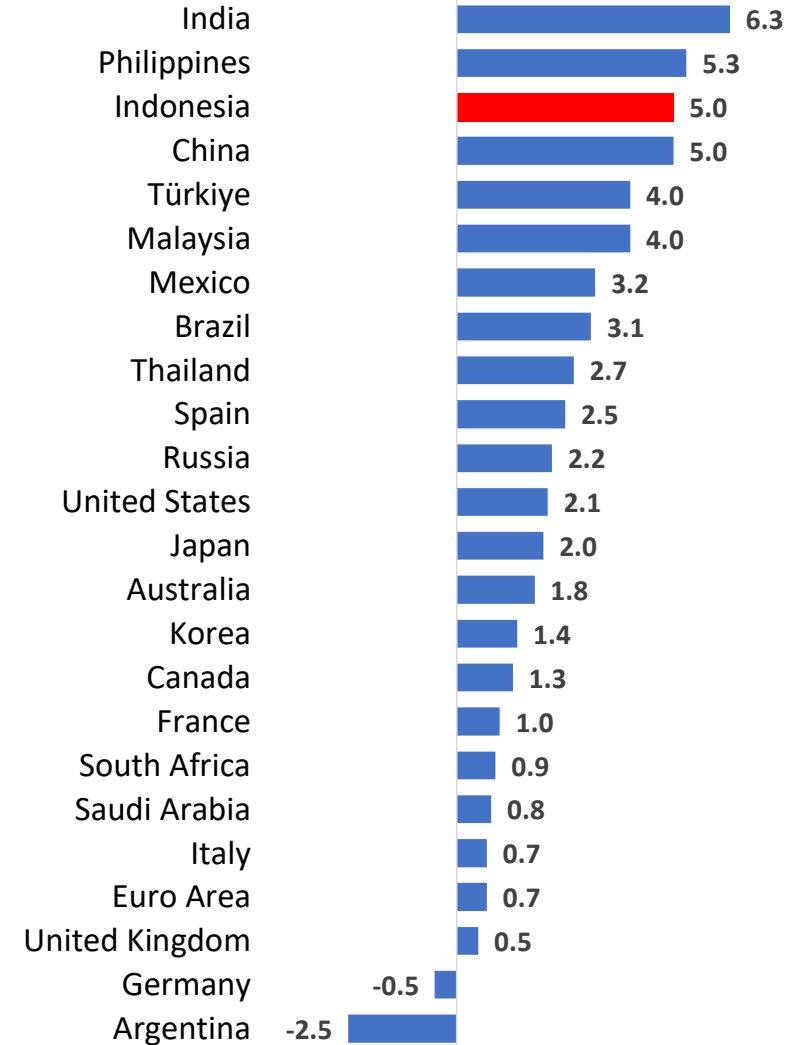


Inflation Rate by IMF, % vov

— Developing Countries — Global — Advanced Countries



GDP Growth Projections for ASEAN G-20 Countries



Risks remain tilted to the downside

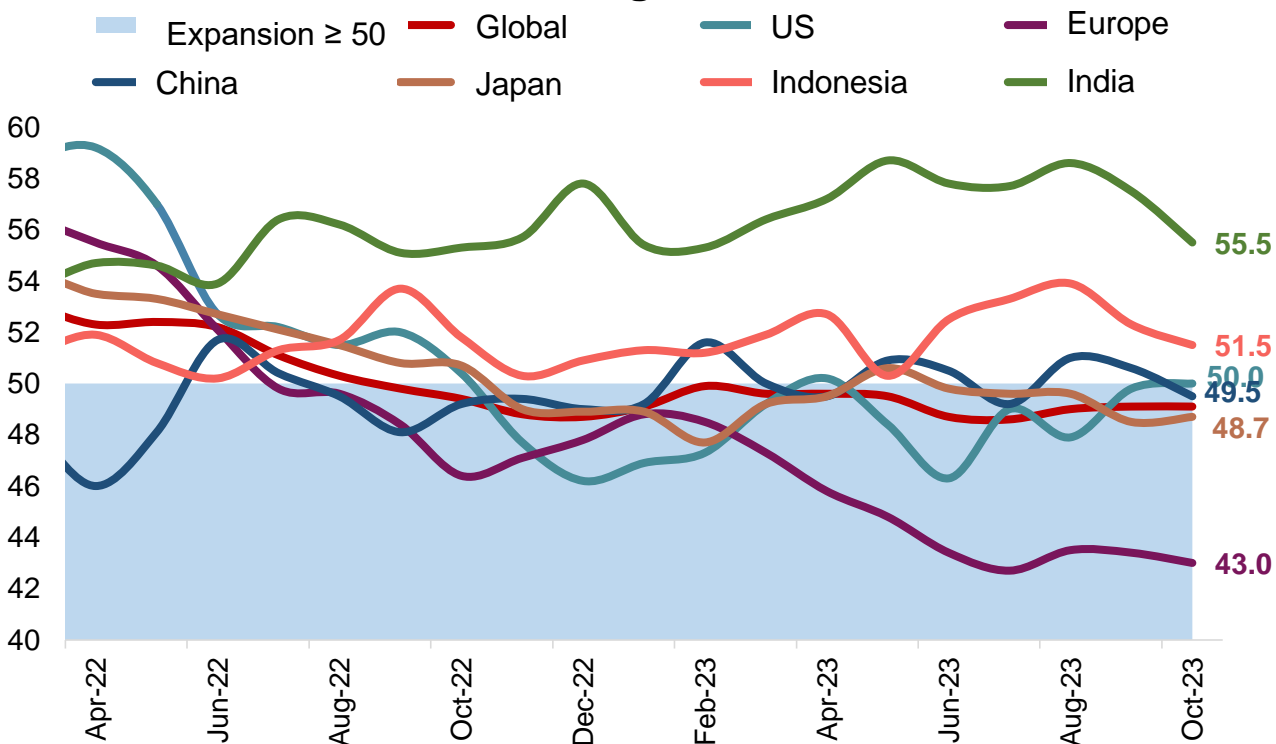
- ✓ Persistently high inflation
- ✓ Higher for longer policy rate
- ✓ Financial sector turbulence
- ✓ Intensifying War in Ukraine
- ✓ Geoeconomic Fragmentation
- ✓ Debt distress

Source: IMF, World Bank, OECD, processed

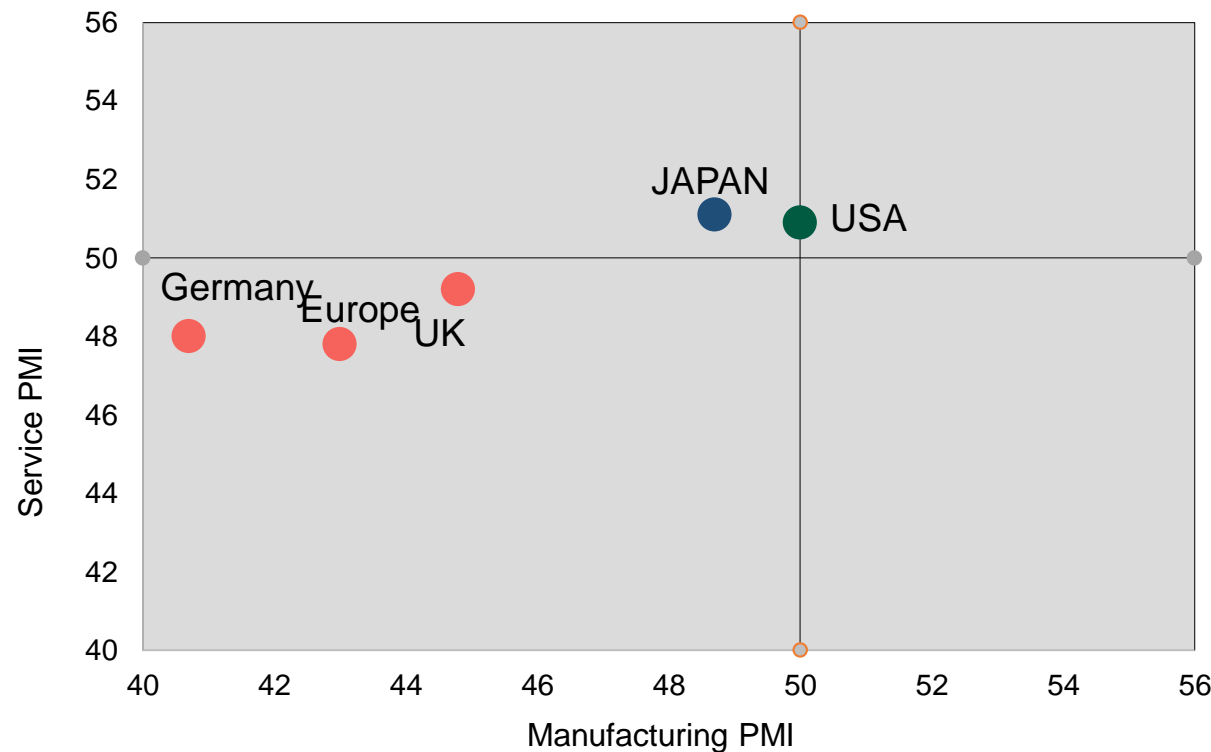
GLOBAL MANUFACTURING PMI - INDONESIA PMI REMAINS EXPANSIVE DESPITE SLOWDOWN

Manufacturing sector activities in China have returned to the contraction zone, India's PMI has slowed down, while the US PMI is starting to recover.

PMI Manufacturing of G20 Countries



Comparison of Manufacturing PMI and Service PMI



The distribution of Manufacturing PMI in G20 and ASEAN-6 countries in October 2023 (minus ITA, SGP, PHI, SAU ARG)

25%

Expand

Indonesia, India, US, Mexico, Russia

75%

Contraction

Europa, Germany, French, UK, Japan, China, South Korea, Thailand, Malaysia, Vietnam, Canada, Brazil, South Africa, Turkey, Australia



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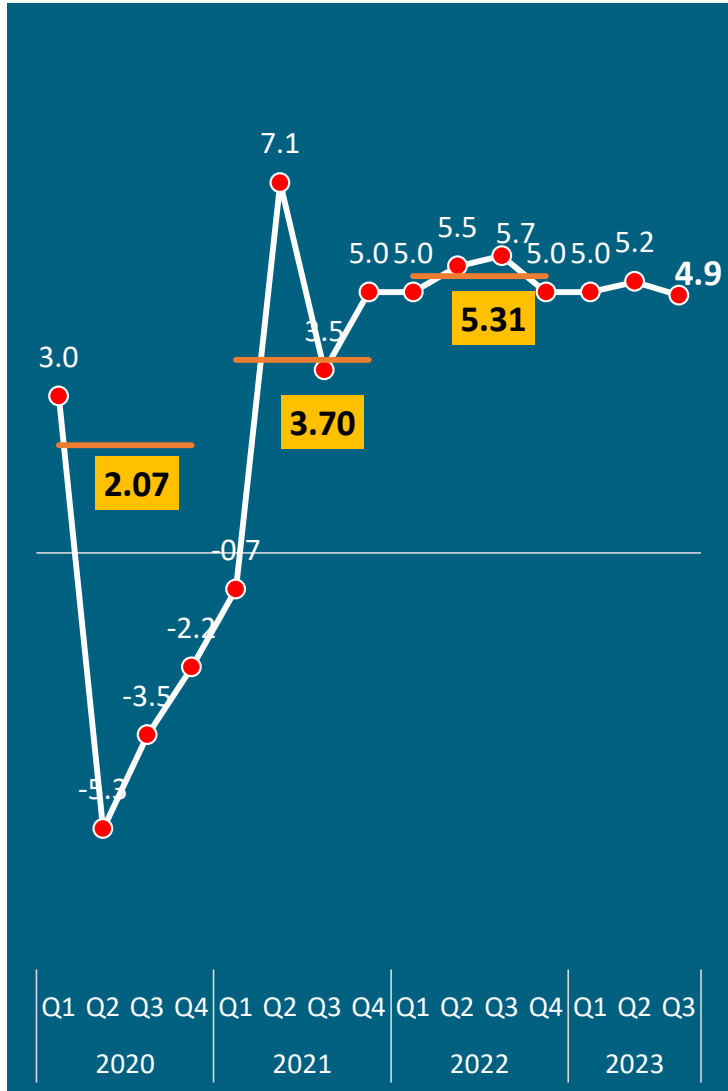


DOMESTIC UPDATES

ECONOMIC GROWTH CONTINUED TO STRENGTHEN

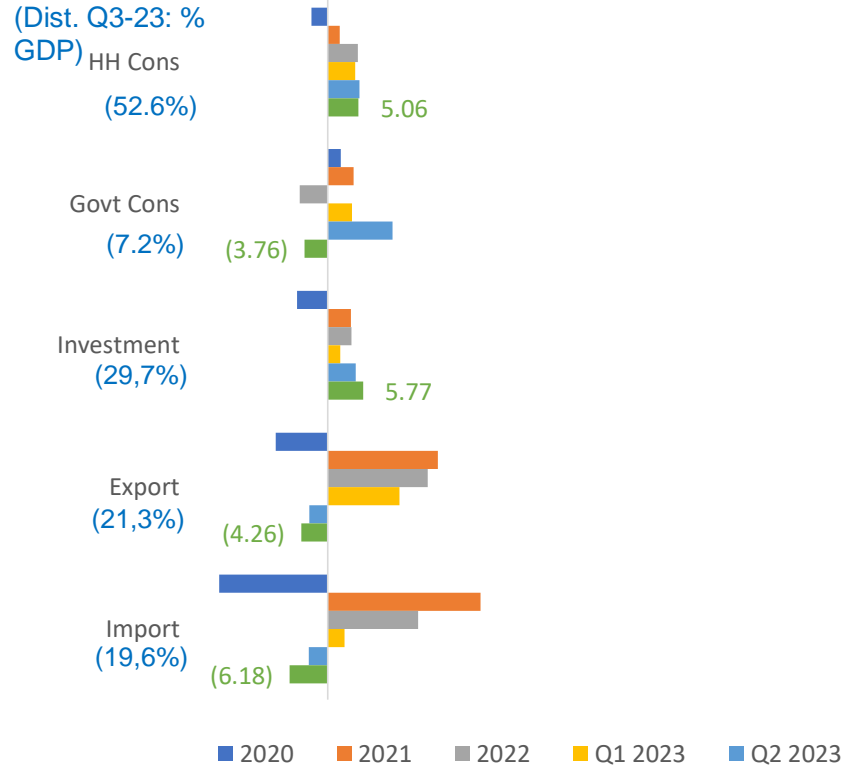
The economy expanded by 4,94% in Q3 2023

Yearly GDP Growth (% YoY)



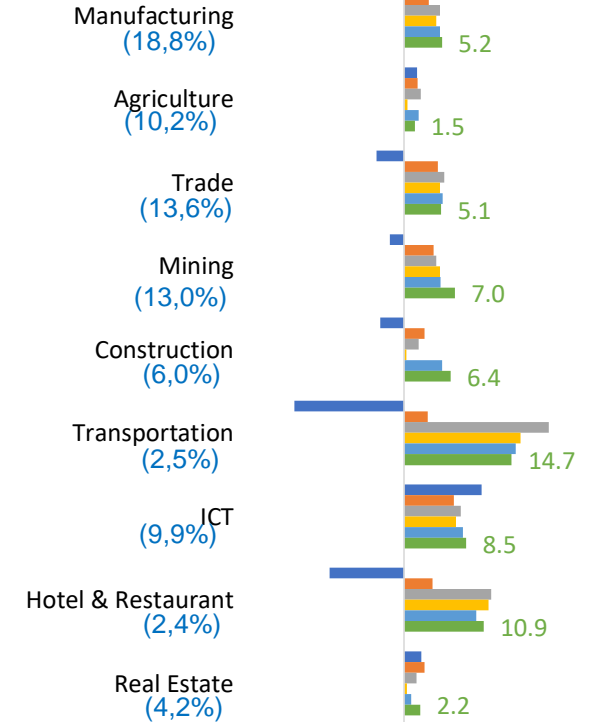
Source: Statistics Indonesia.

GDP Growth: Expenditure (% YoY)



- Consumption expanded at above 5%, on account of modest inflation, improving job opportunities, and various social assistance programs provided for low-income families.
- Investment strengthened on the back of expansion in construction activities (infrastructure).
- Exports experienced a contraction due to subdued global demand.

GDP Growth: Production (% YoY)



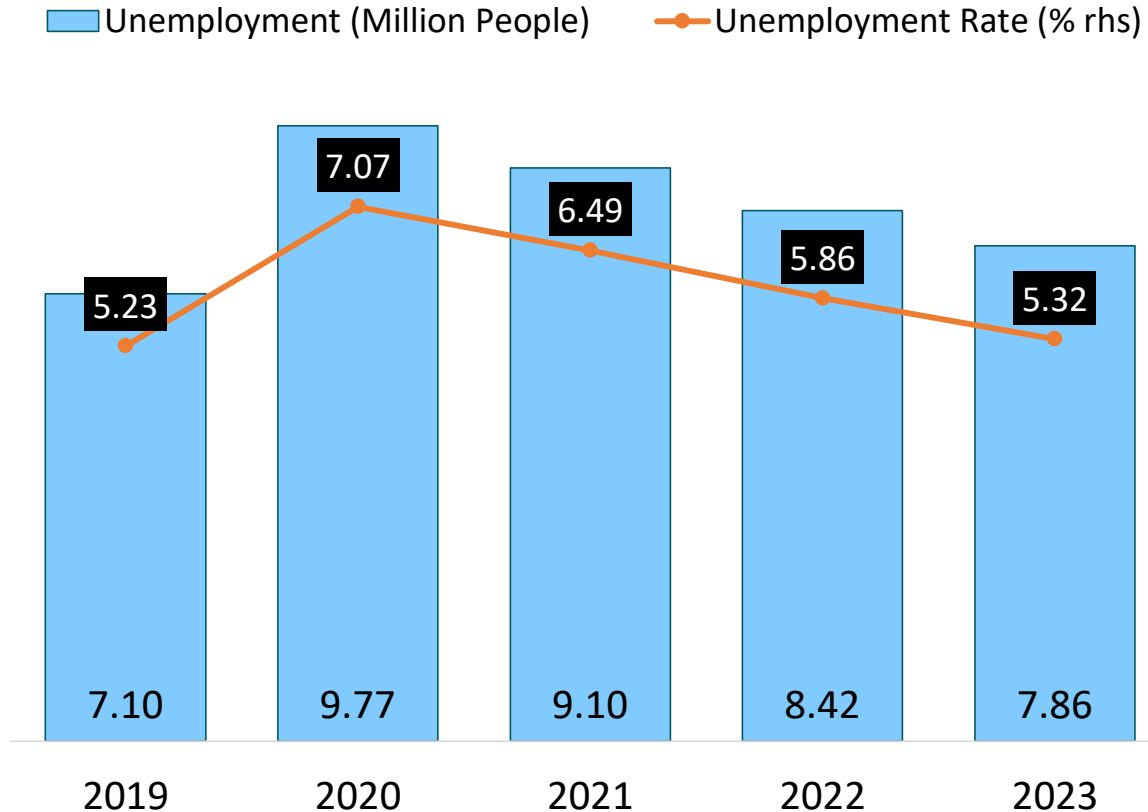
- All main sectors expanded.
- The manufacturing sector grew by 5.2%, above the aggregate GDP growth rate, on account of remained strong domestic demand.
- Accommodation and transportation continued to grow at double digits with strengthening domestic demand.

QUALITY GROWTH PERFORMANCE

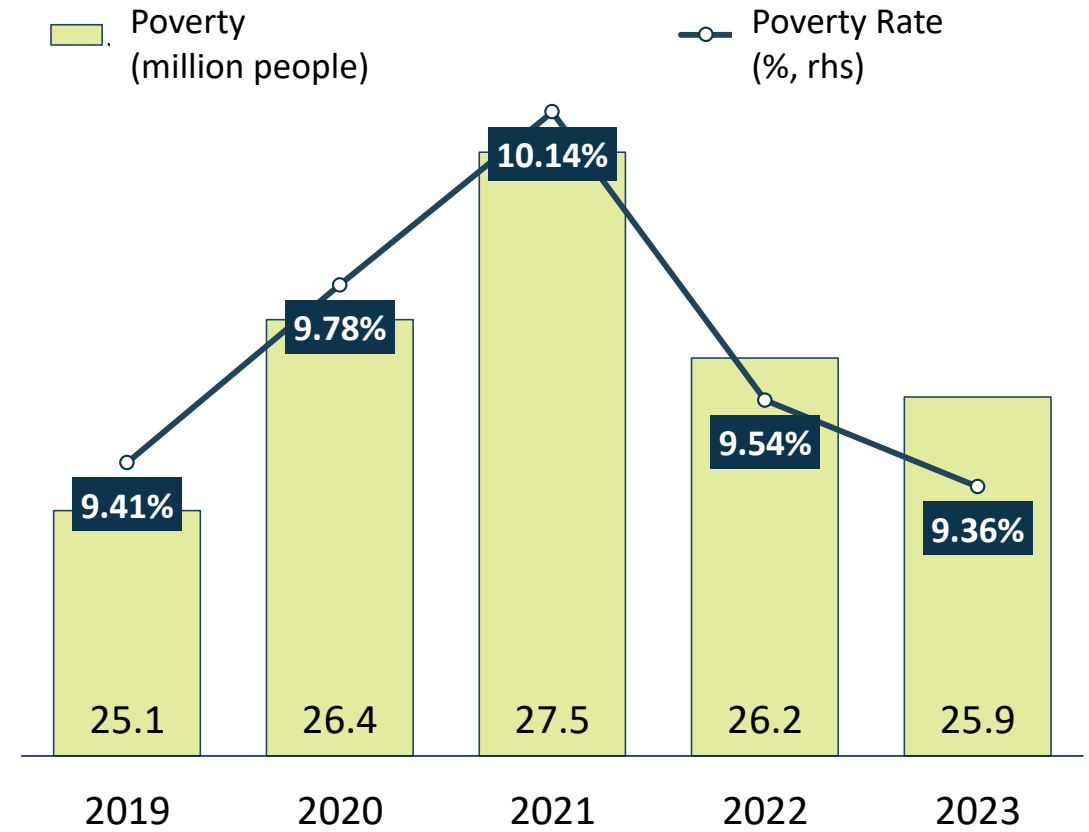
Creating jobs & lifting people out of poverty

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

Unemployment Rate



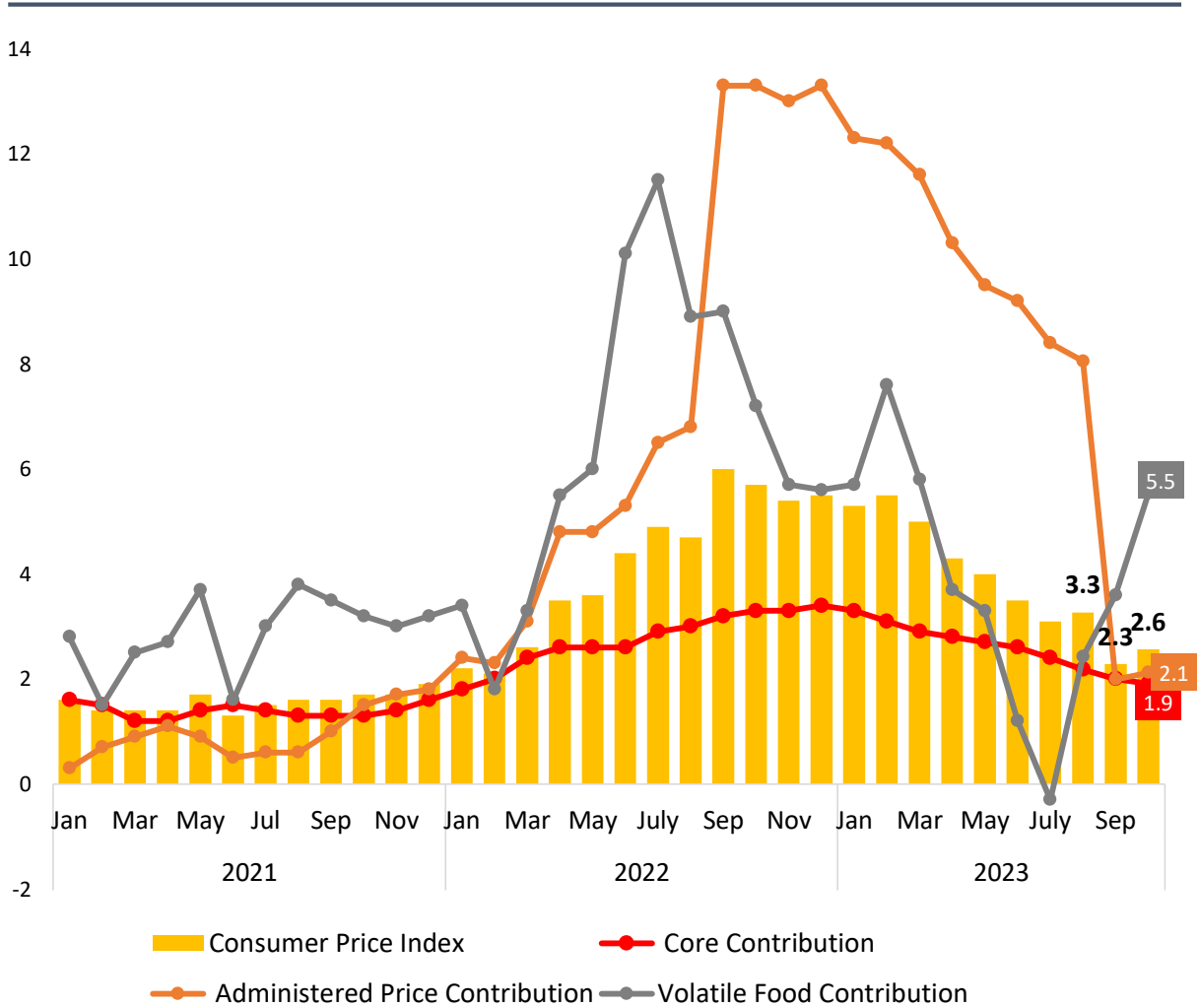
Poverty Rate



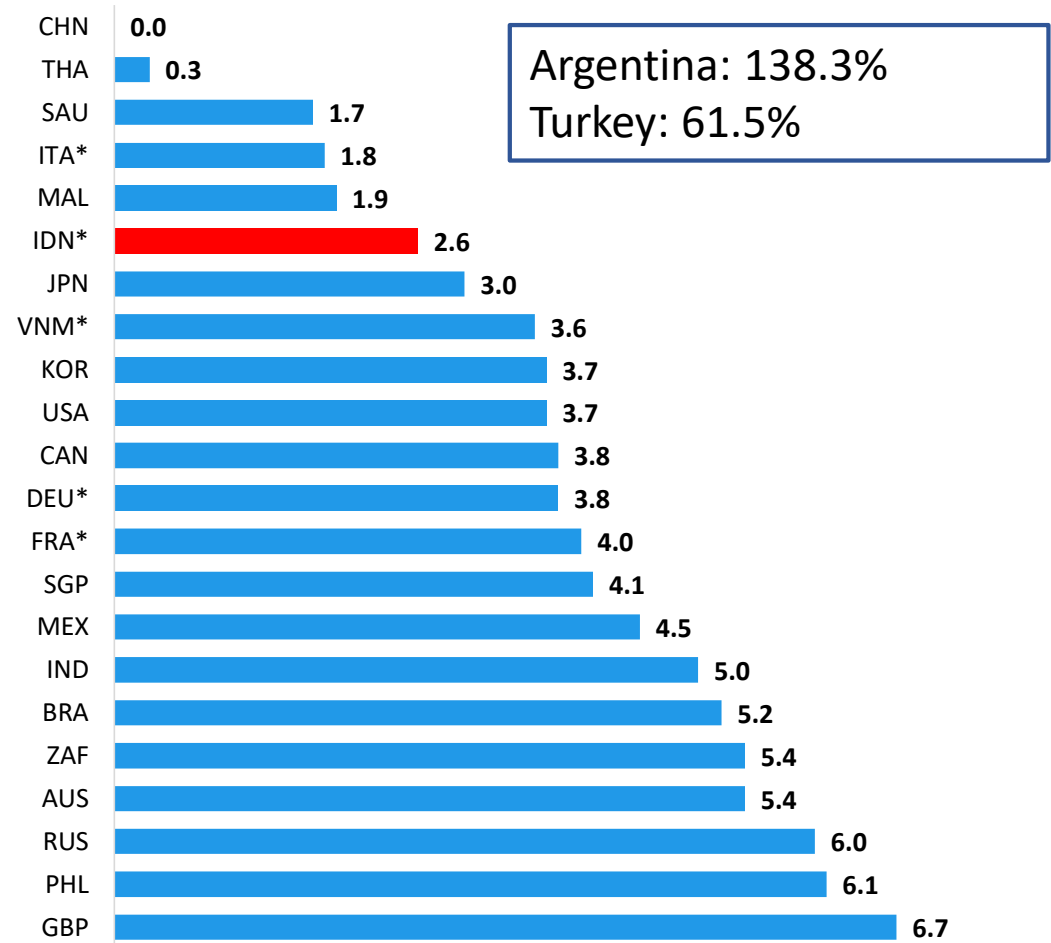
INDONESIA HAS SUCCESSFULLY & QUICKLY LOWERED INFLATION

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

Inflation by Component (%)



Inflation by Countries (September, % YOY)



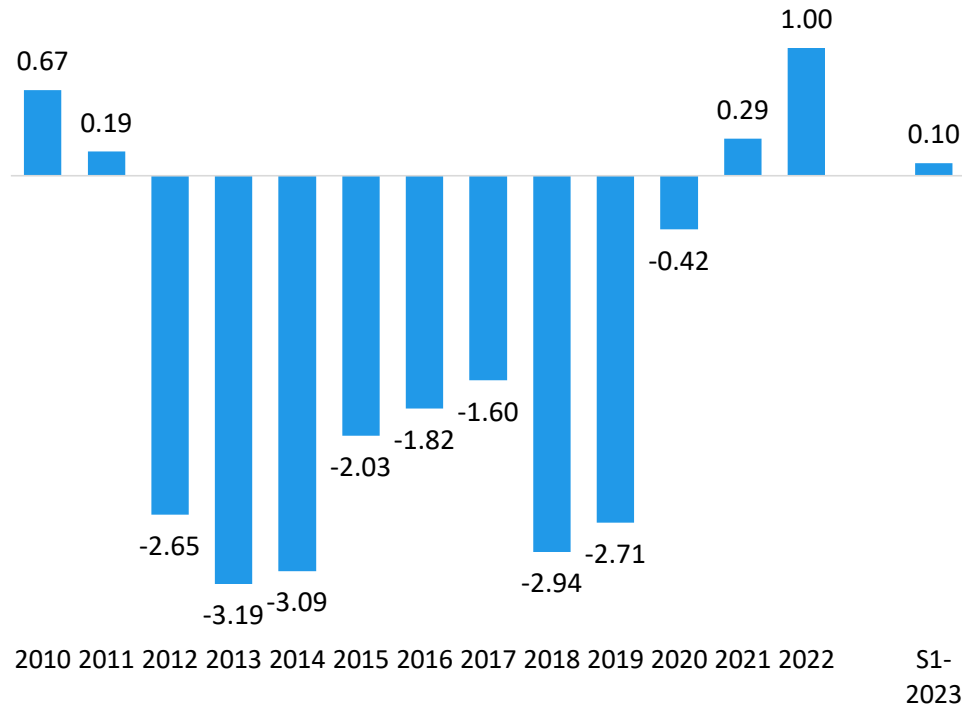
Source: Statistics Indonesia, Bloomberg

*October Inflation

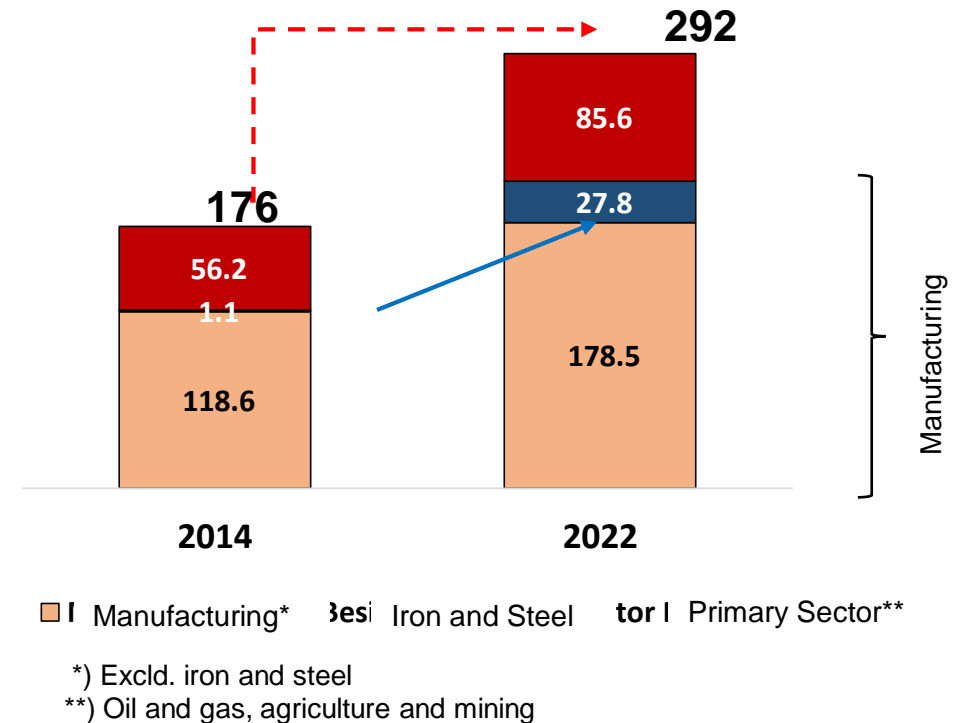
EXTERNAL POSITION CONTINUED TO STRENGTHEN, BOOSTED BY DOWNSTREAMING PRODUCTS

Strong export performance and commitment to develop downstream products

Current Account Balance (% of GDP)



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



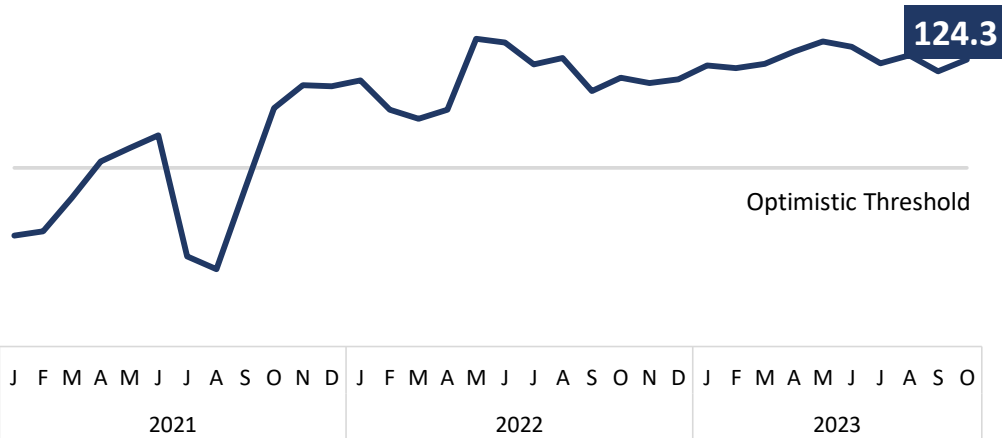
- Indonesia achieved a current account surplus in both 2021 and 2022, driven by a strong export performance and a commitment to developing downstream products.
- The current account for 2023 is expected to adjust as a result of the global economic slowdown

SEVERAL LEADING INDICATORS REMAINED RELATIVELY ROBUST

Both consumption and production sectors demonstrated rebound trajectories, signaling Indonesia emerging from the Omicron wave and regaining momentum in economic growth

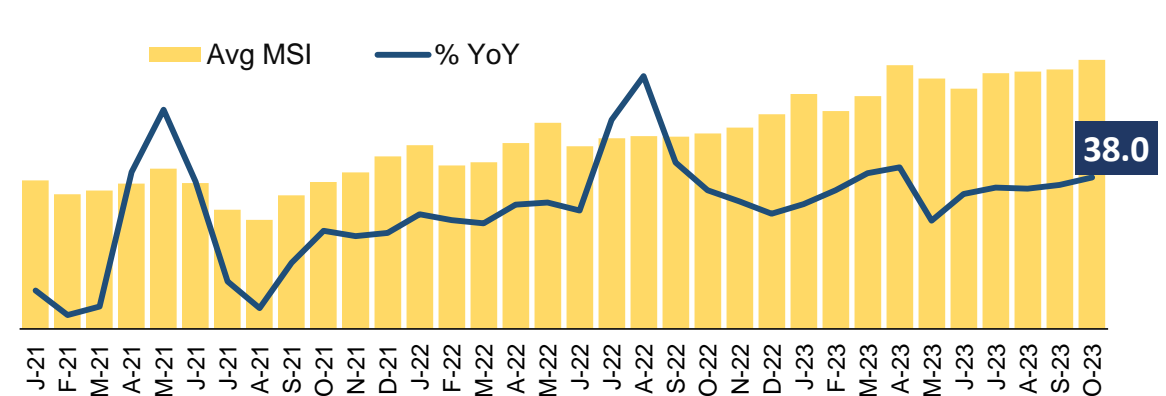
Consumption Indicator – Consumer Confidence Index

The Consumers optimism are quite high.



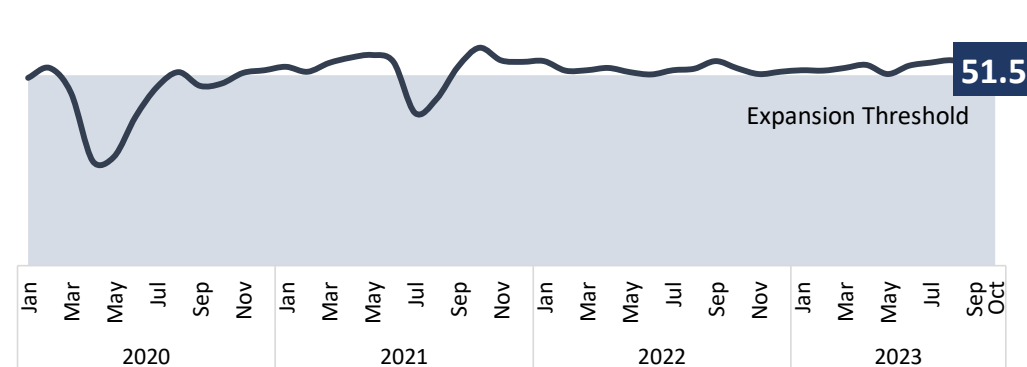
Consumption Indicator – Mandiri Spending Index

Consumption, as indicated by the Mandiri Spending Index, remains stable post-normalization.



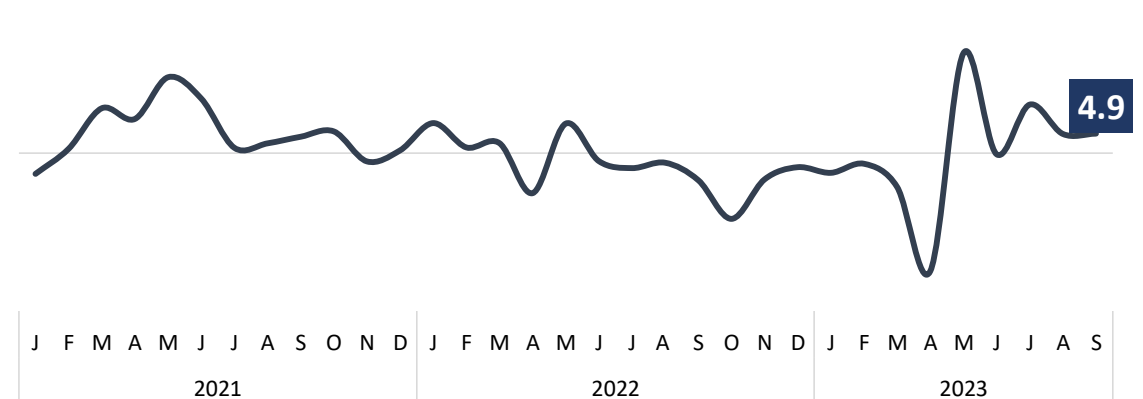
Production Indicator – PMI Manufacturing

Indonesia's PMI continues the expansion



Production Indicator – Cement Consumption

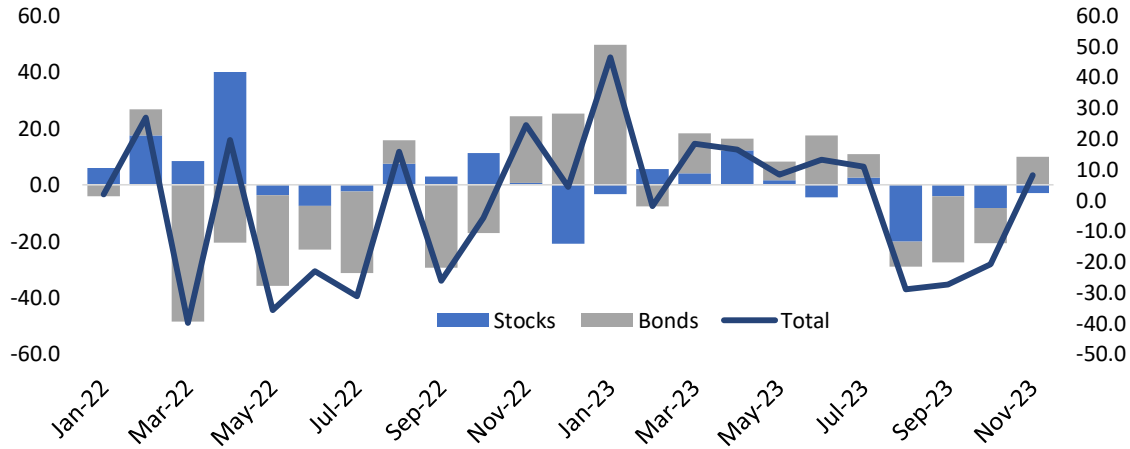
Cement consumption is growing positively.



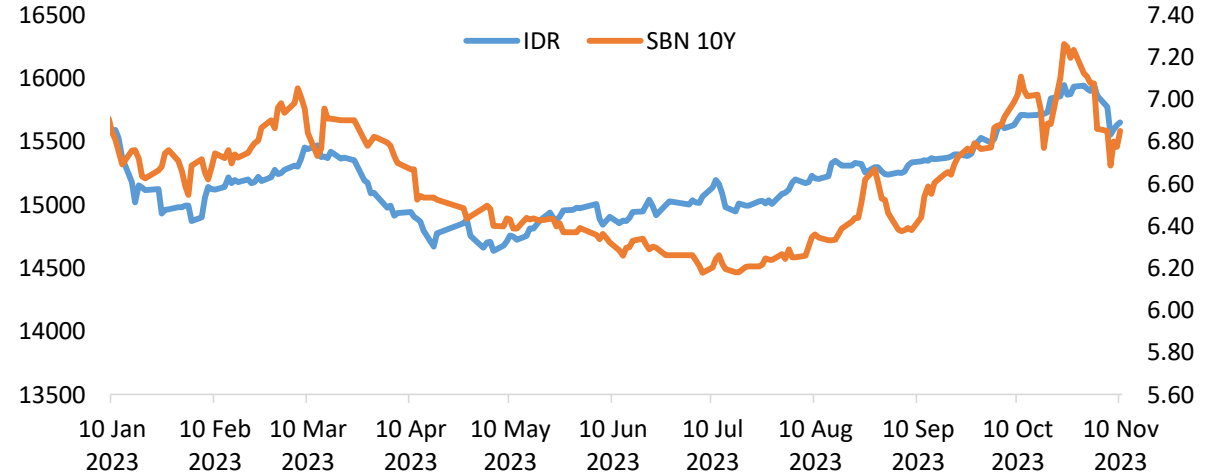
AMIDST GLOBAL UNCERTAINTY, INDONESIA FINANCIAL MARKET REMAINS STABLE

The Rupiah strengthens, SBN (Government Bond) yields decrease, and Capital Inflows begin in early November 2023.

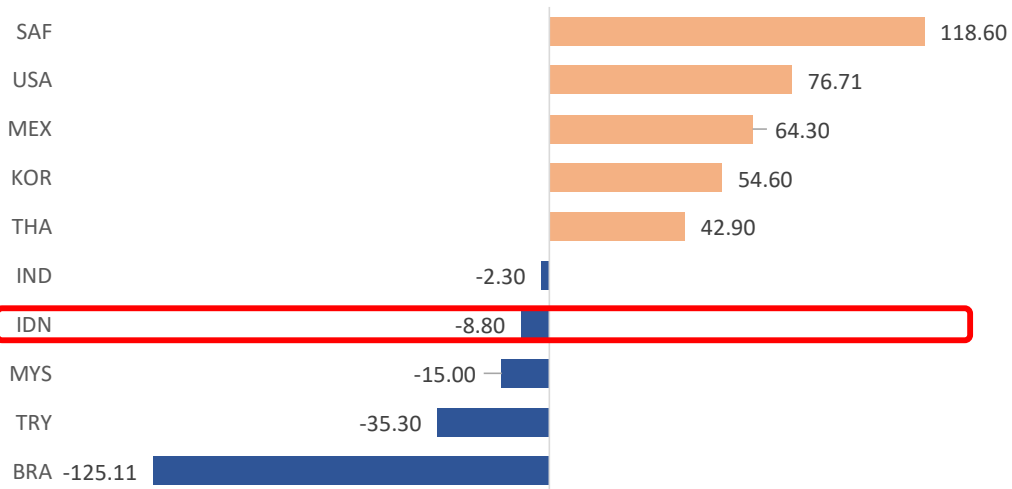
Indonesia Fin. Market – Capital Flow



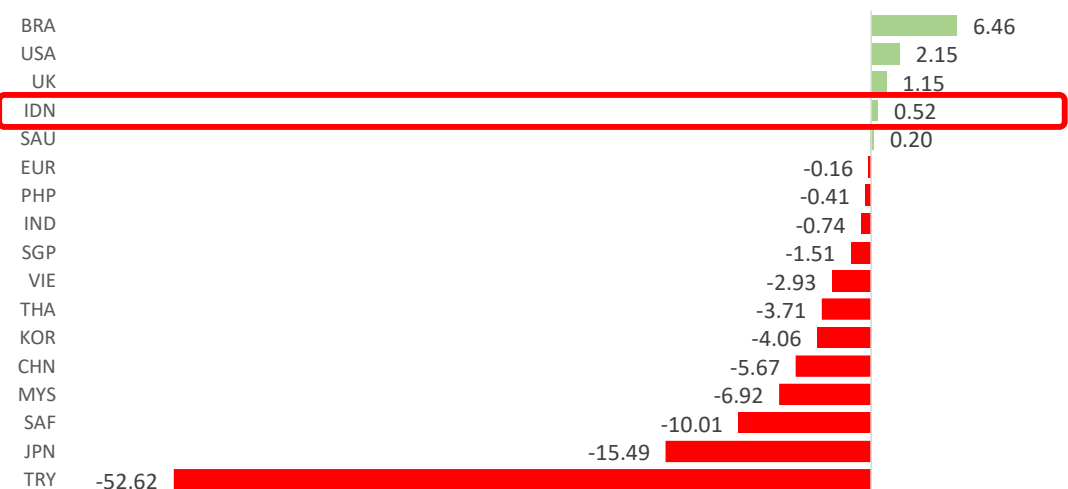
Indonesia Local Currency Bond Yield & IDR



Govt. Bonds Market (bps, ytd; as of 11 Nov 2023)



Currency (% , ytd, as of 10 Nov 2023)

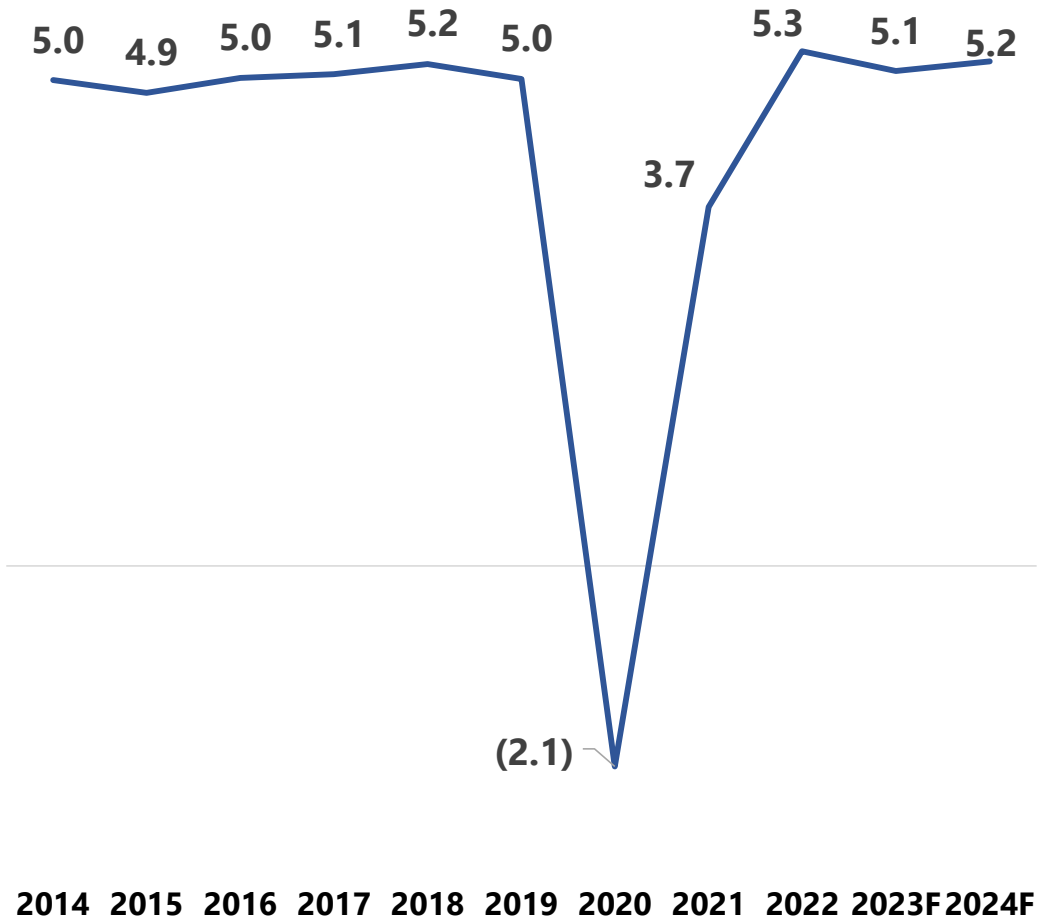


GROWTH IS EXPECTED TO REMAIN ROBUST IN 2023 AND 2024

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
IMF (WEO Oct)	5.0	5.0
World Bank (EAP Oct)	5.0	4.9
Bloomberg Consensus (Nov)	5.0	5.0
OECD (Sept)	4.9	5.2

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 East Asia Pacific Economic Update October 2023; OECD Economic Forecast Summary September 2023; Bloomberg, and Ministry of Finance



03

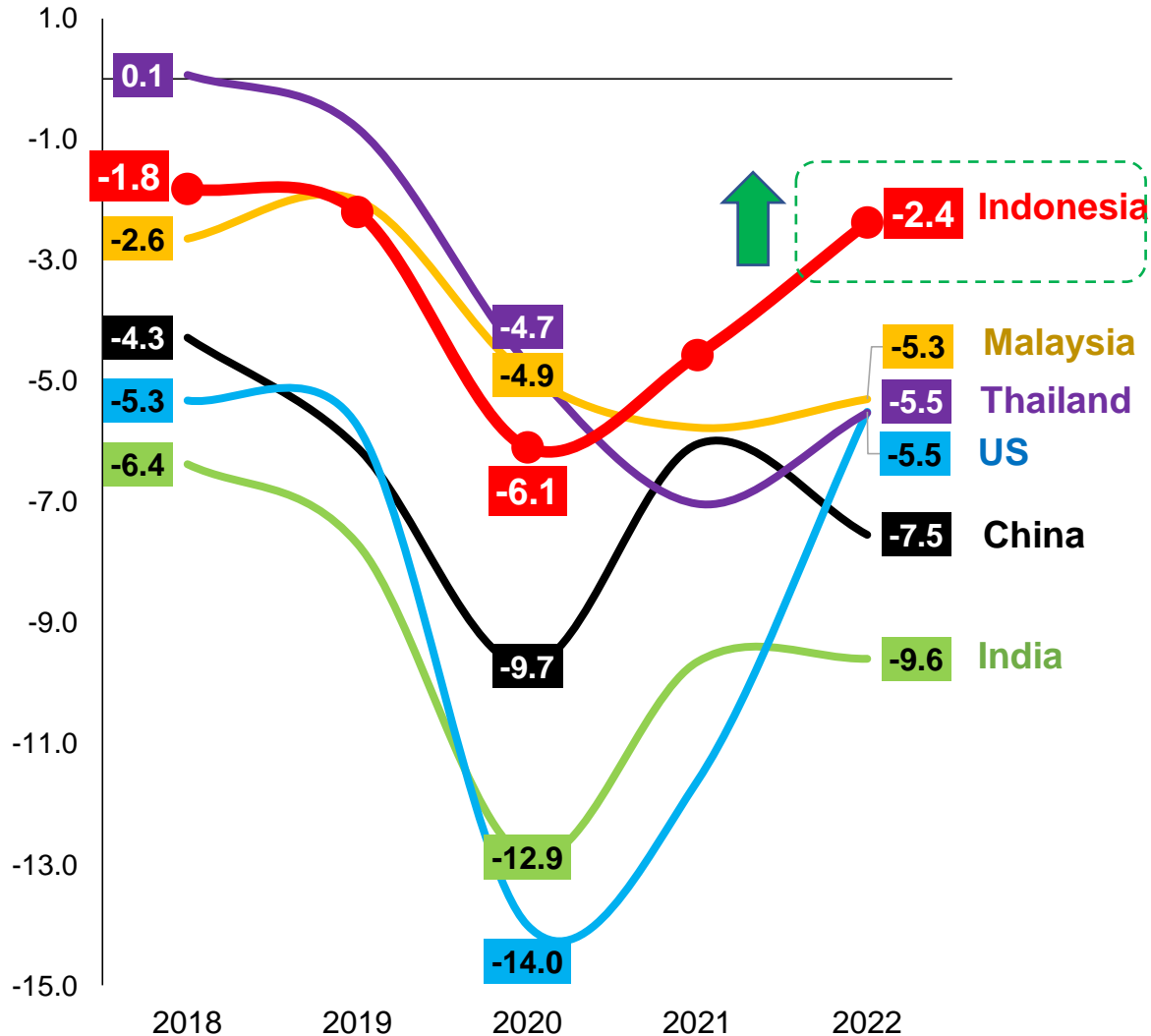


FISCAL PERFORMANCE

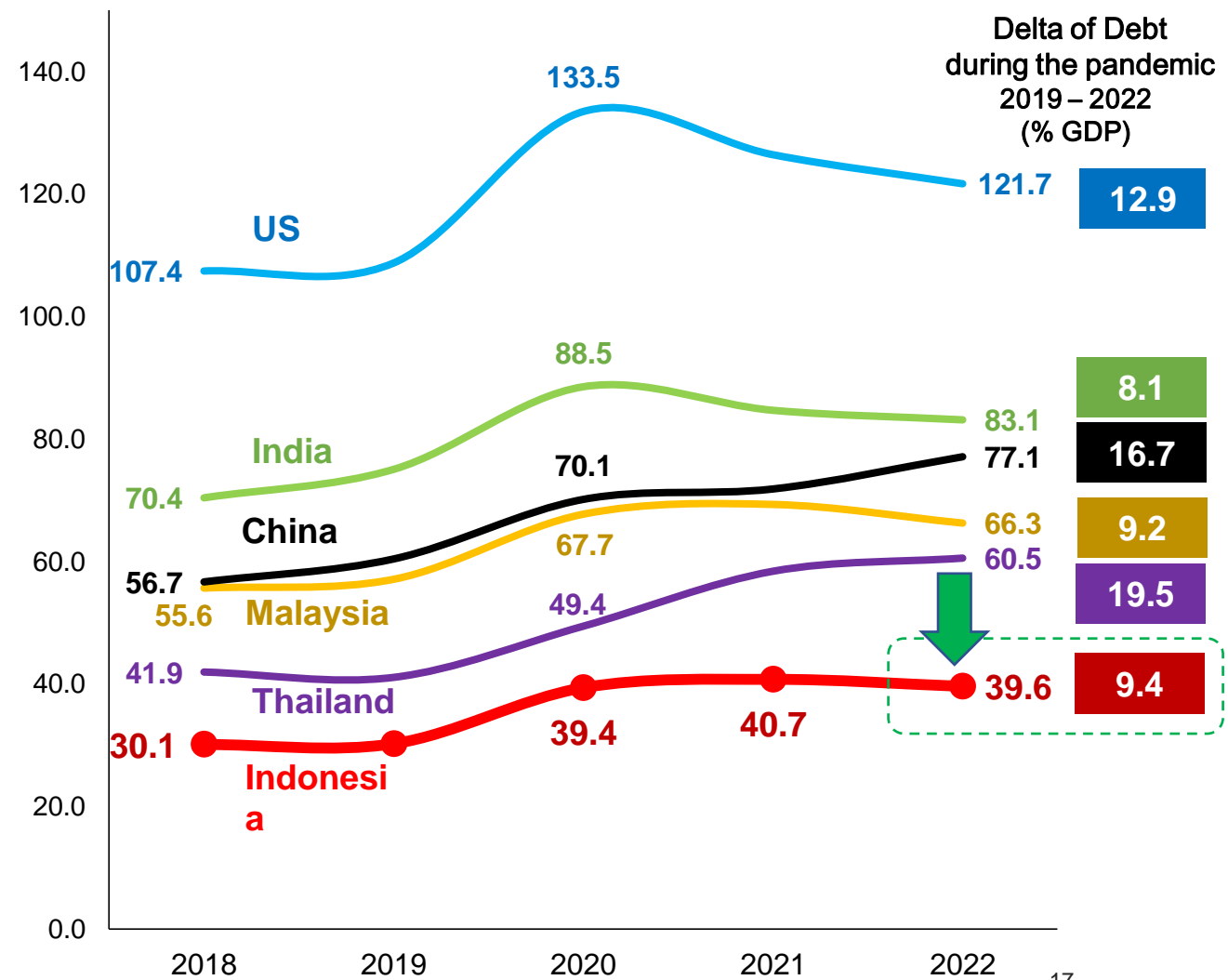
INDONESIA'S COUNTERCYCLICAL FISCAL POLICY HAS BEEN PRUDENTLY DESIGNED AND EFFECTIVE IN REVIVING THE ECONOMY

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)



CONSERVATIVE DESIGN OF THE BUDGET HAS PROVIDED BUFFER AGAINST THE CHALLENGING SITUATION

The budget deficit returned to below 3% GDP one year earlier than the initial target

Account (IDR Tn)	2022		2023				
	Audited	Growth ¹ (%)	Budget	Growth ² (%)	Real. 30 th Sept	% to Budget	Growth (%)
Revenue	2,635,8	30.6	2,463.6	(6.2)	2,035.6	82.6	3.1
Tax Revenue	2,034.6	31.4	2,021.2	(0.7)	1,583.3	78.3	2.6
Non Tax Revenue	595.6	28.3	441.4	(25.0)	451.5	102.3	4.6
Expenditure	3,096.3	10.9	3,061.2	(1.0)	1,967.9	64.3	2.8
Central Government Expenditure	2,280.0	13.7	2,246.5	(1.2)	1,396.9	62.2	2.6
Transfer to Region	816.2	3.9	814.7	(0.2)	571.0	70.1	3.3
Primary Balance	(74.1)	(81.9)	(156.8)	(101.0)	389.7	(248.6)	14.7
Surplus (Deficit)	(460.4)	(40.1)	(598.2)	(28.8)	67.7	(11.3)	10.6
<i>% to GDP</i>	<i>(2.35)</i>		<i>(2.84)</i>		<i>0.32</i>		
Financing	591.0	(33.1)	598.2	2.5	163.0	27.2	(62.3)

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

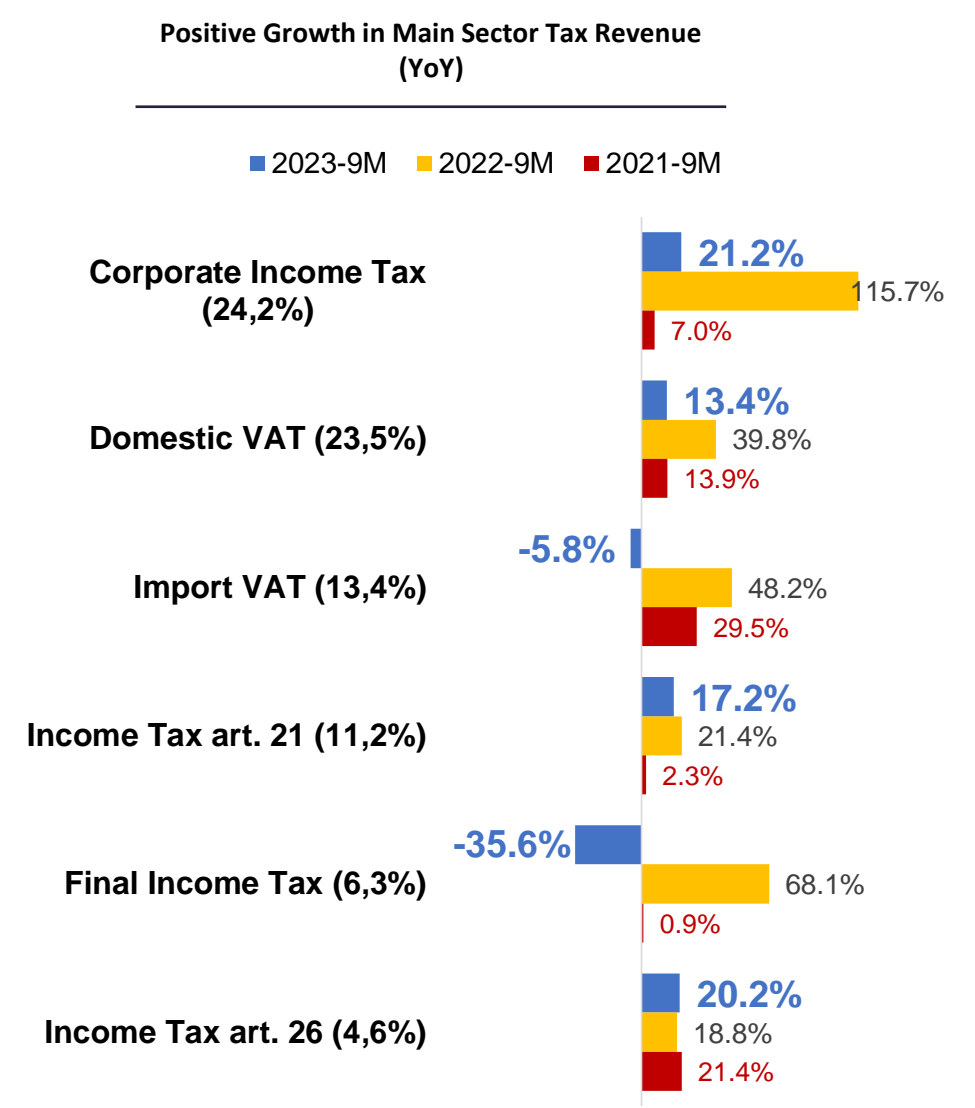
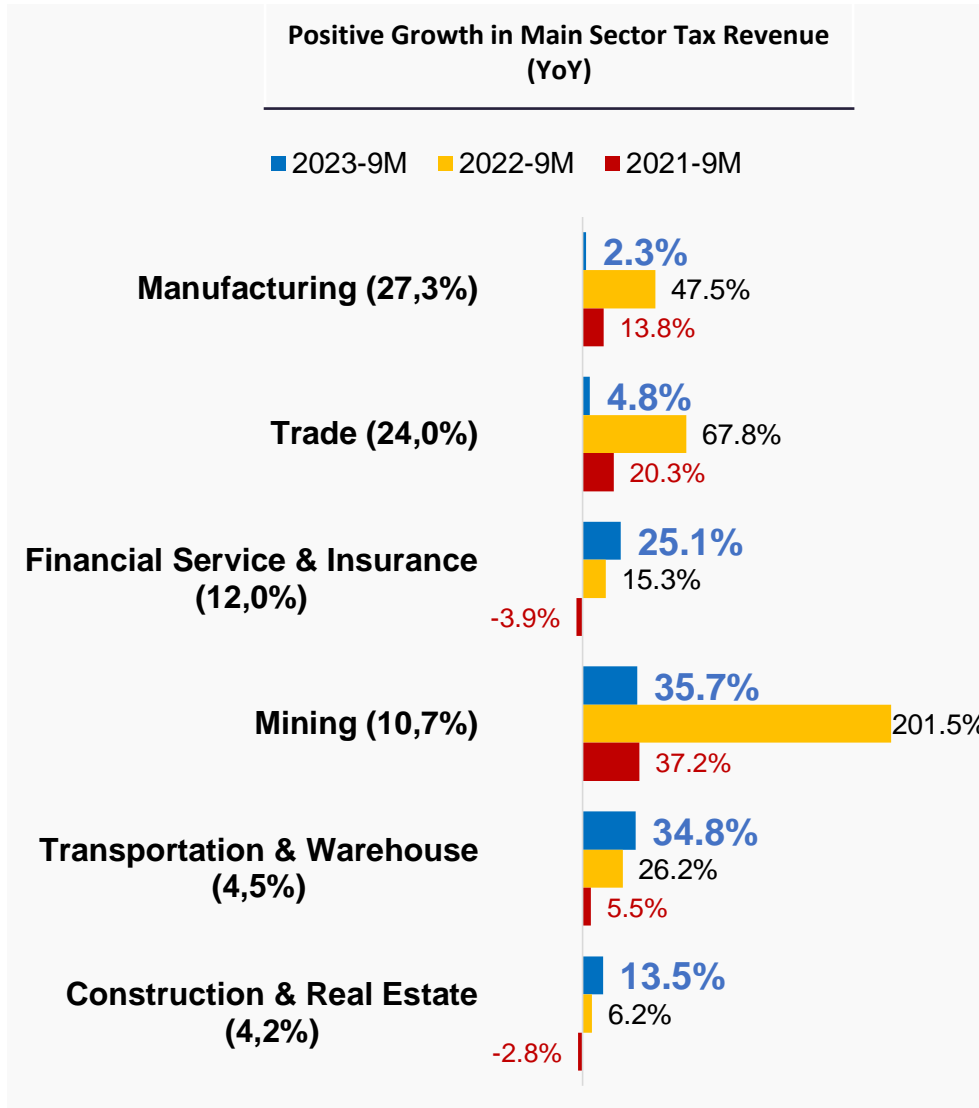
The government's spending priorities are geared **towards enhancing productivity and safeguarding the public**, with adequate budget support provided to preserve citizens' purchasing power through energy subsidies and compensation programs.

Government Financing

Addressing the challenges posed by global financial market volatility and the possibility of increased debt costs.

SOLID BUDGET PERFORMANCE SUPPORTED BY SUSTAINED REVENUE COLLECTION

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



Source: Ministry of Finance

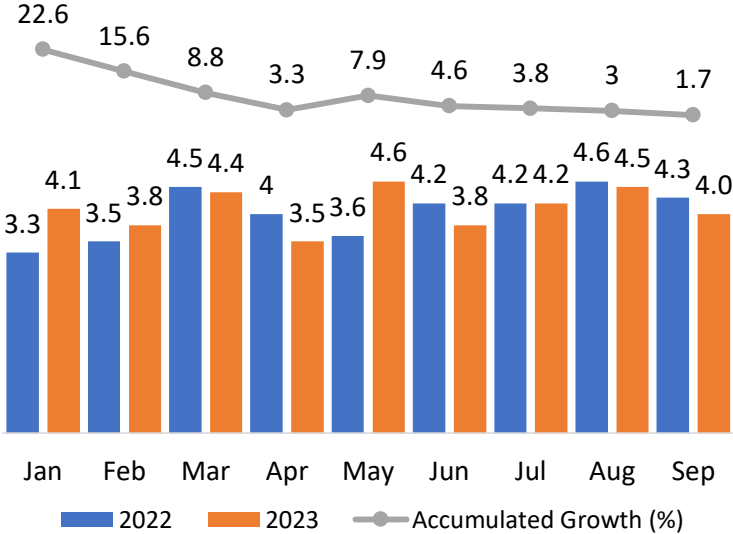
Note: YTD September 2023, % share of (Jan-September 2023)

CUSTOMS AND EXCISE REVENUE CONTRACTION

Impact of Global Commodity Price Decline and Tax Control Policies Amid Sustained Domestic Economic Activity

IMPORT DUTY
IDR 36.9T **77.6%**
of Budget

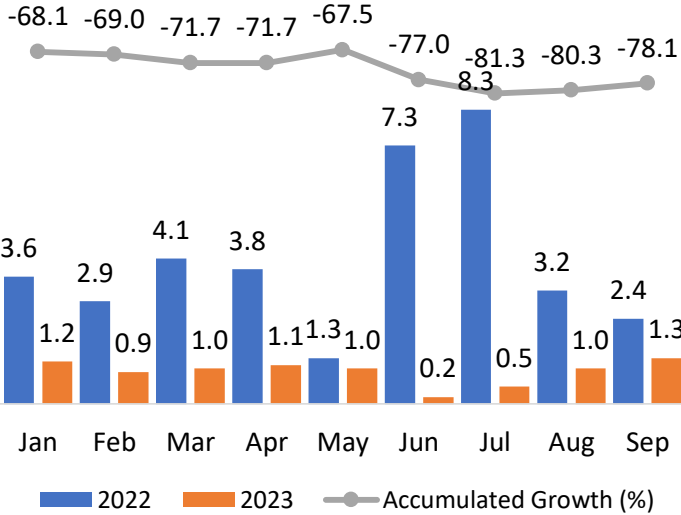
IDR Trillion



Import Duty performance in September grew 1.7% year-on-year, despite slowing import activity (-8.3% year-on-year). This increase is due to a 1.44% effective tariff rise from the growth of high-duty imports, supported by stable domestic economic activity and a 3.7% year-on-year USD exchange rate boost.

EXPORT DUTY
IDR 8.1T **79.4%**
of Budget

IDR Trillion

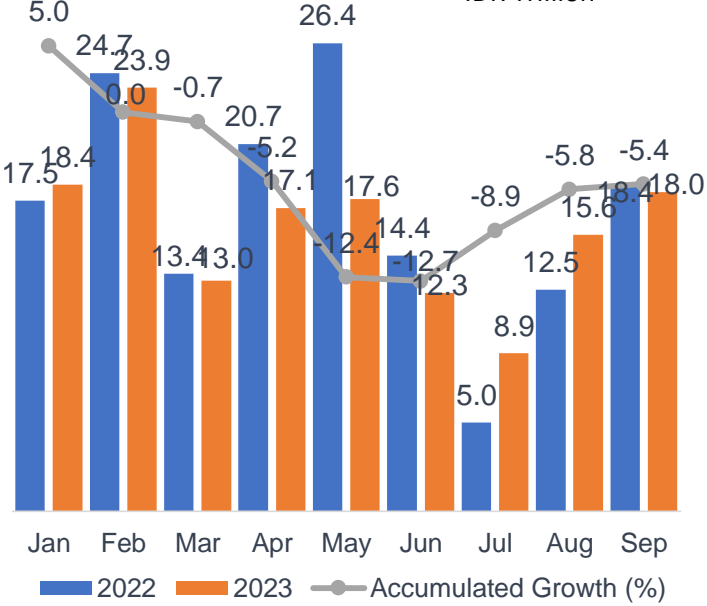


Export Duty through September 2023 fell by 78.1% year-on-year, driven by:

- An 82.1% drop in palm oil product revenue due to lower CPO prices, despite increased export volume.
- A 54.3% decline in copper revenue, primarily from a 13.5% drop in copper export volume year-on-year.

EXCISE
IDR 150.5T **61.3%**
of Budget

IDR Trillion

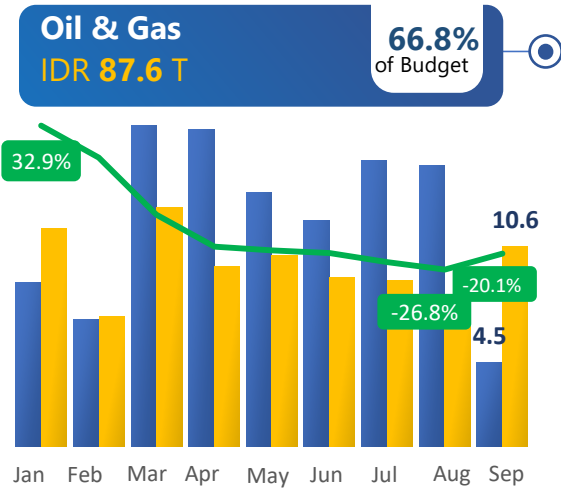
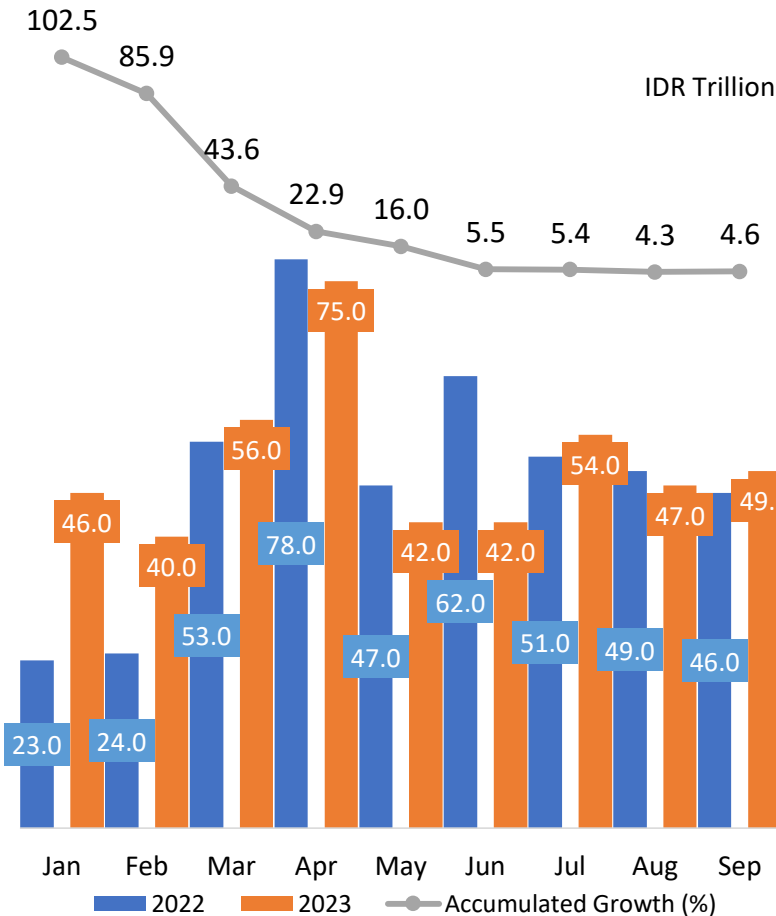


- Tobacco Product Excise revenue down 5.4% through September, linked to a 3.6% production drop until July and a 0.5% tariff reduction.
- Beverage Containing Ethyl Alcohol excise revenue dropped 1.2% due to a 1.6% production decrease.
- Ethyl Alcohol excise revenue fell 7.5% due to a 7.7% production decrease

Source: Ministry of Finance

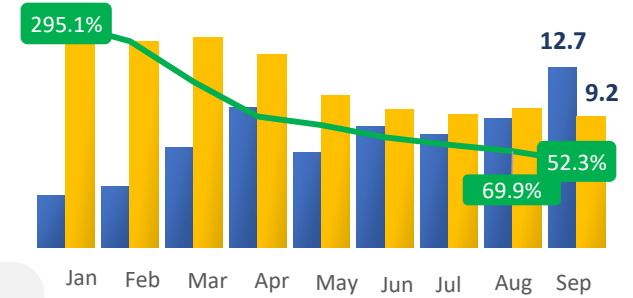
NON-TAX REVENUE REALIZATION HAS REACHED THE BUDGET TARGET AMIDST COMMODITY PRICE FLUCTUATIONS

As of the end of September, Non-Tax Revenue has reached 102.3% of the budget target. This accomplishment is primarily attributed to the increase in Non-Oil Natural Resource Revenue and Separated State Wealth Revenue.

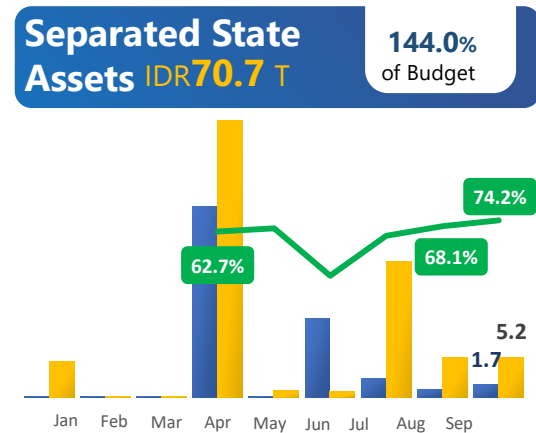


Contraction is caused by a **decrease in ICP and oil lifting**

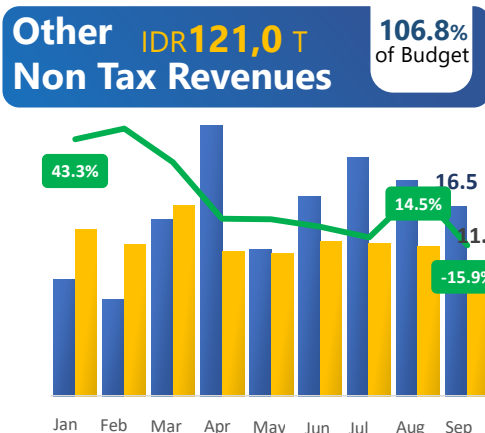
The main increase is due to the adjustment of **coal production fee/royalty rates following the enactment of PP 26/2022**



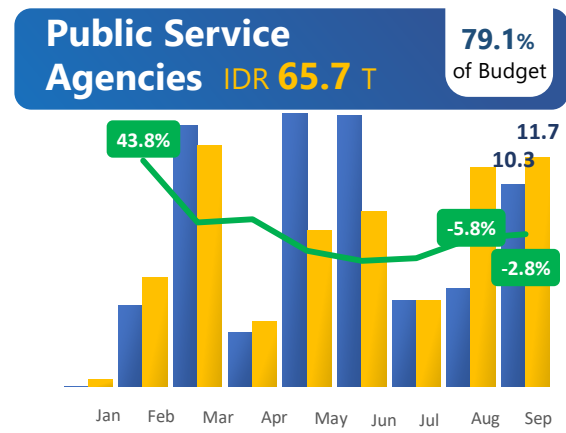
Up to 30th September
Non Oil & Gas
 IDR 106.5 T
 164.4% of Budget



The increase is contributed by the **dividend payments from state-owned enterprises in both the banking and non-banking sectors**



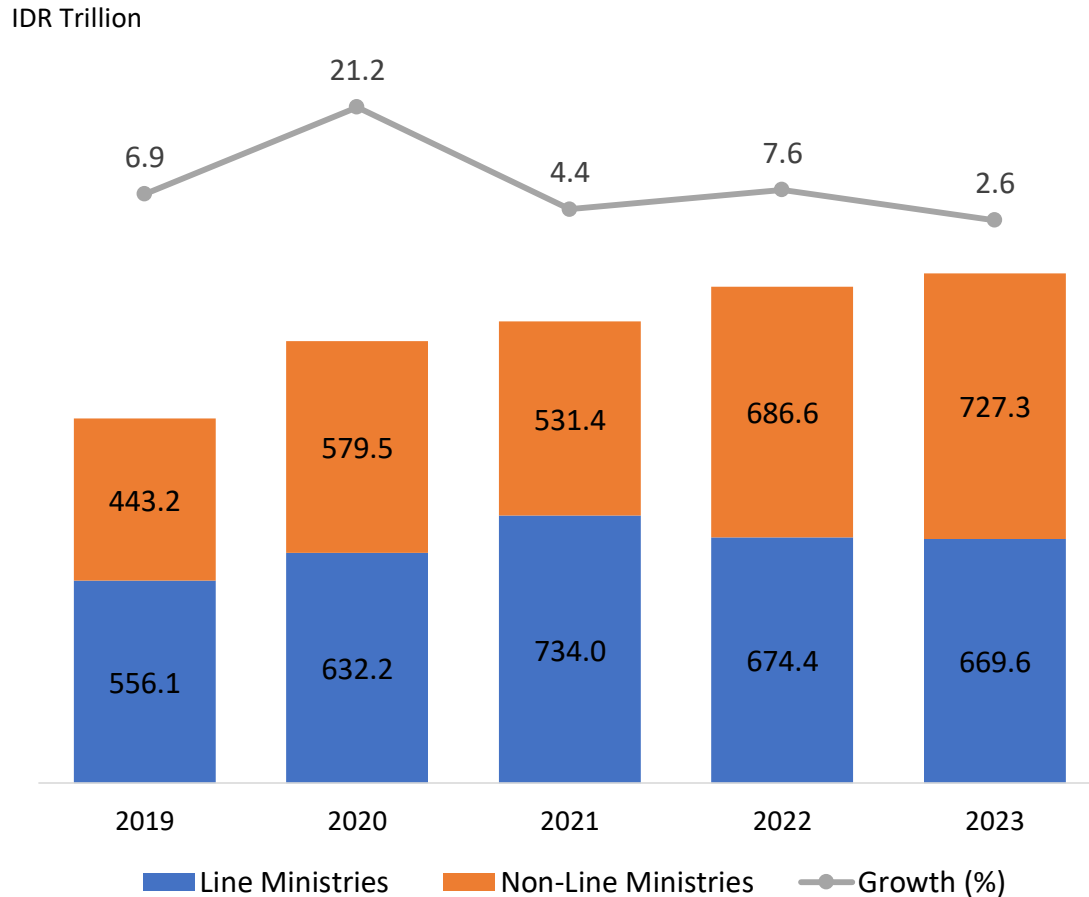
Contraction is caused by a **decrease in non-tax revenue and crude oil revenue (Domestic Market Obligation or DMO)**



The main contraction comes from a **decrease in the management of funds for palm oil plantations**

CENTRAL GOVERNMENT EXPENDITURE PERFORMANCE

Central Government Expenditure as of September 2023



Central government spending until September 2023 has been realized at IDR 1,396.9 trillion (62.2% of the allocation), comprising:

1. Line Ministries Spending **IDR669.6 T*** (66.9% of Budget)

Support for the preparation of election implementation, the development of the New Capital City (IKN) program, acceleration of priority infrastructure completion, and the distribution of various social assistance.

*) Realization of personnel expenses, goods expenses, capital expenses, and social assistance expenses.

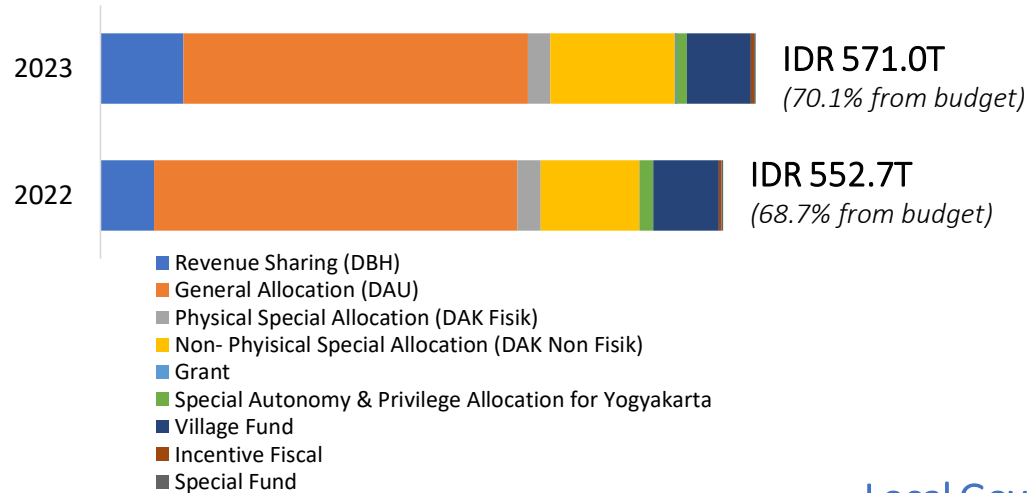
2. Non- Line Ministries Spending **IDR727.3 T** (58.4% of Budget)

Realization of subsidies and compensations (for fuel and electricity), the Pre-Employment program, as well as fertilizer subsidies.

INCREASED TRANSFER TO REGIONS WITH IMPROVED GOVERNANCE

Transfer to Region Fund

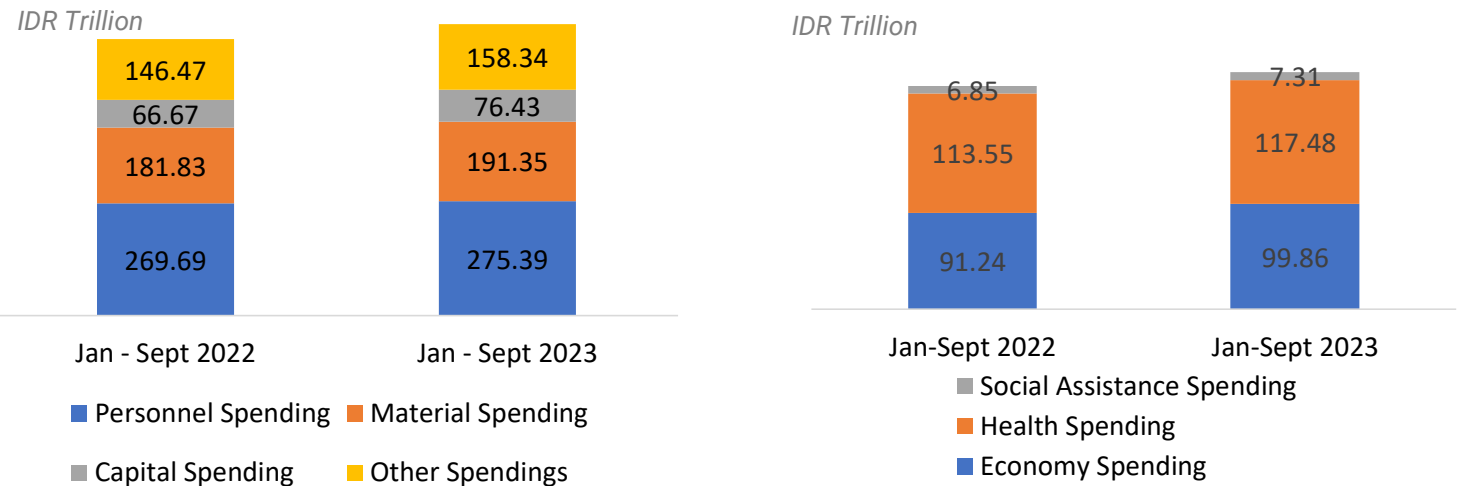
(January – September)



- Increased DBH, particularly driven by the rise in DBH allocation, especially in Tobacco Excise, Mining, and Oil & Gas.
- Elevated Non-Physical DAK, primarily due to enhanced compliance in meeting distribution requirements.
- Reduced Fiscal Incentives owing to an earlier disbursement schedule in 2022 compared to the current year.
- Decreased DAU, as the utilization of DAU for P3K Payroll awaits local government compliance.
- Lower Special Autonomy allocation resulting from the reduction of Aceh's Special Autonomy allocation from 2% to 1% of National DAU, with several regions yet to fulfill distribution criteria.
- In nominal terms, a reduced Physical DAK allocation due to a lower budget compared to the previous year. Nonetheless, the disbursement has increased proportionally.
- Diminished Village Fund disbursement owing to the delayed allocation of additional funds

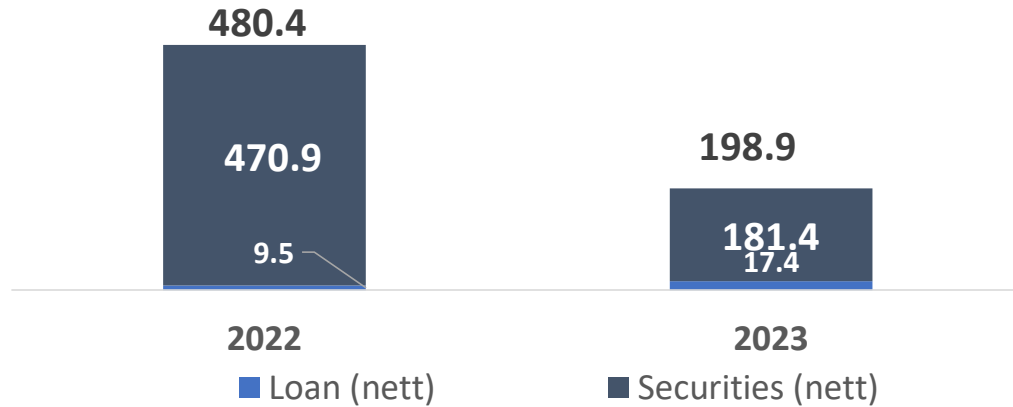
Local Government Performance

Local Government spending realization has grown by 5.5% year-on-year, driven by improved absorption of personnel, operational, capital, and other expenses. Regions need to maintain their good realization performance through the end of the year.



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

Financing Realization as of end September 2023



Domestic Loan (Net) IDR 3.69 T

- Domestic Loan Withdrawal (Gross) **IDR 5.71T**
- Domestic loan principal installment financing **IDR (2.02T)**

Foreign Loan (Net) IDR 13.76 T

- Foreign Loan Withdrawal (Gross) **IDR 70.74T**
- Foreign loan principal installment financing **IDR (56.98T)**

Accelerate Investment in Priority Sectors for The Welfare of The Society



Housing Financing Liquidity Facility IDR 97.78T (Total Fund from 2010 to September 2023)

As of Sept 31, 2023, a total of 166,833 FLPP (Housing Financing Liquidity Facility) homes have been disbursed to low-income communities across 392 cities/regencies



State Asset Management Agency

Total Fund Allocation: 144.46 trillion (from 2016 to September 2023)

- The total fund allocation for LMAN in 2023 is 25.4 trillion IDR. As of September 2023, 12.3 trillion IDR has been disbursed.
- Up to September 2023, National Strategic Projects with a total value of 117.99 trillion IDR have been funded.



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

Total Endowment Fund as of Dec 2023 IDR 139.11T



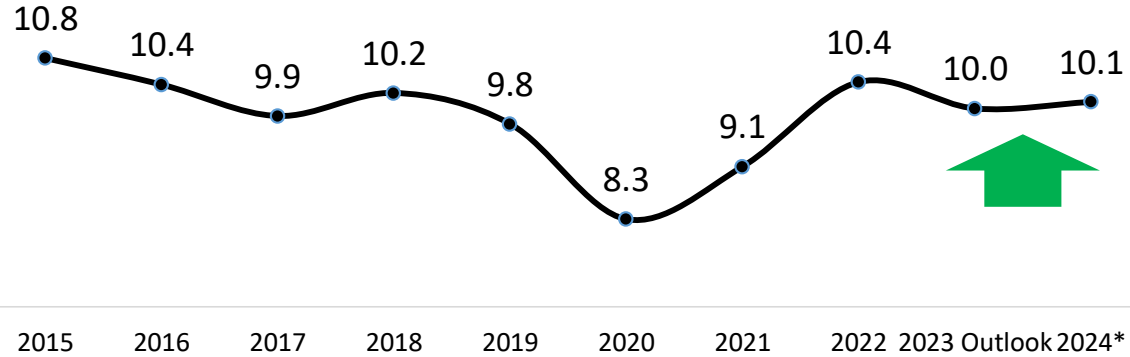
International Development Cooperation Fund (LDKPI)

Grant disbursement as of Sept 2023 amounting IDR 137.6B to many countries in Latin America and Caribbean, Africa, Asia, and Pacific.

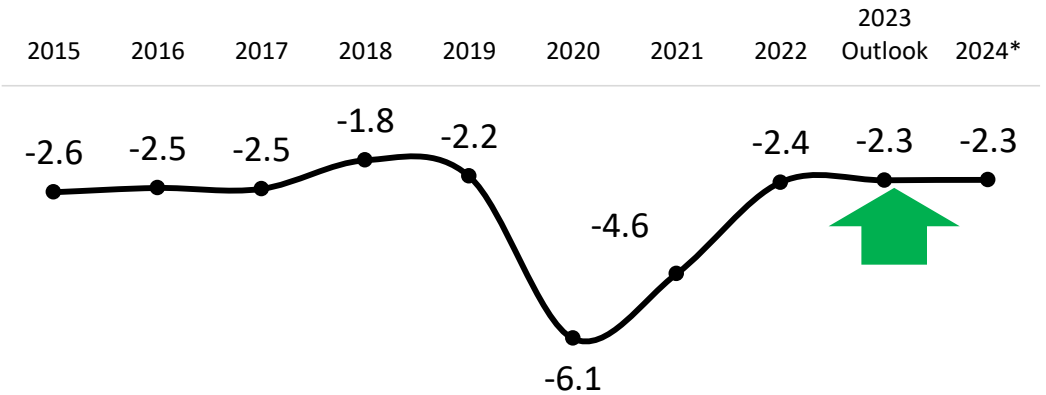
STRONGER BUDGET PERFORMANCE HAS EASED FISCAL PRESSURES

Fiscal position has continued to improve

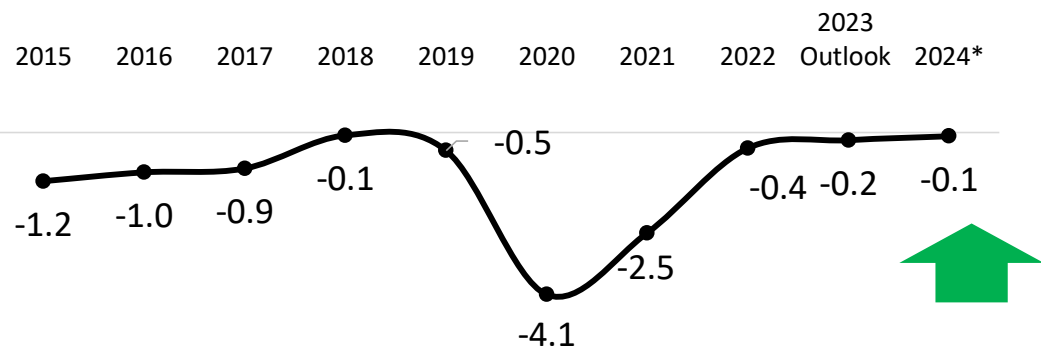
Tax ratio increases in line with stronger recovery (% GDP)



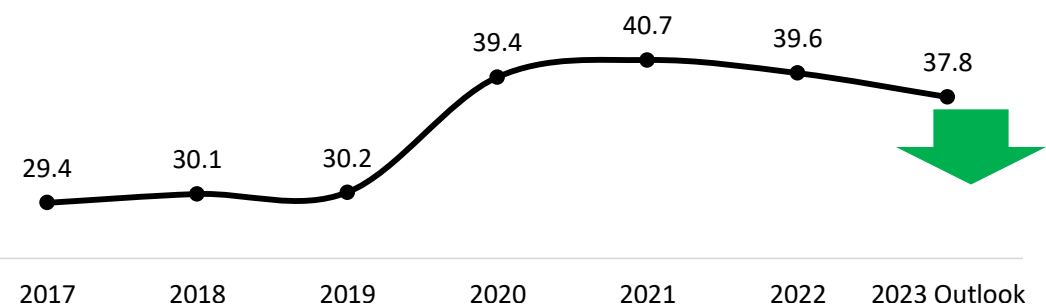
Overall budget position improved significantly (% GDP)



Primary Balance is trending up (% GDP)



Fiscal pressures has eased (% of GDP)










2024 BUDGET POSTURES

Focused on expediting inclusive and sustainable economic transformation

Account (IDR Tn)	2023 outlook	2024	% Growth
Revenue	2,637.2	2,802.3	6.26
Tax Revenue	2,118.3	2,309.9	9.04
Non-Tax Revenue	515.8	492.0	-4.61
Expenditure	3,123.7	3,325.1	6.45
Central Gov't Expenditure	2,298.2	2,467.5	7.37
Transfer to Region	825.4	857.6	3.90
Deficit	486.4	522.8	7.48
% of GDP	(2.30)	(2.29)	
Financing	486.4	522.8	7.48

MACROECONOMIC ASSUMPTIONS FOR THE 2024 BUDGET

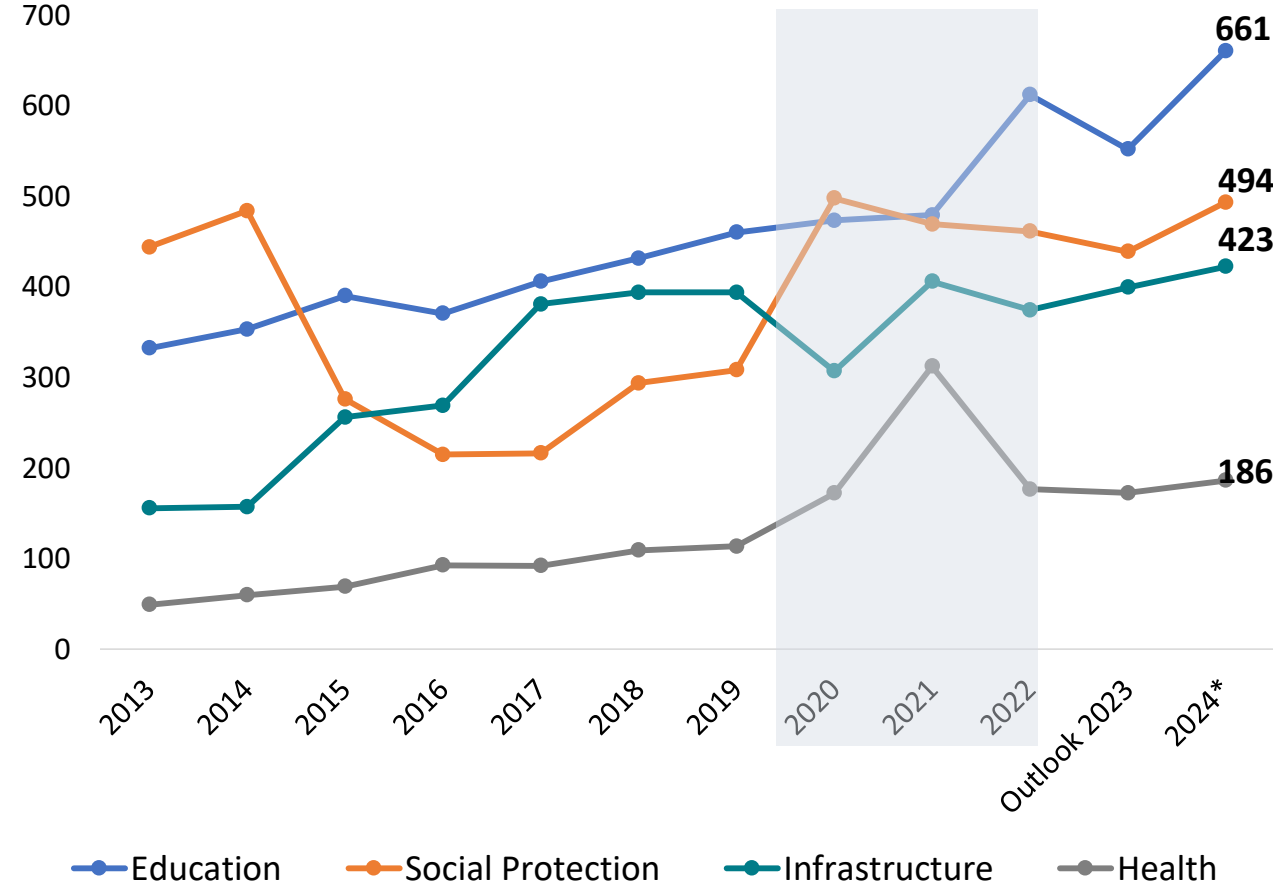
	2024
 Economic Growth (% yoy)	5.2
 Inflation (% yoy)	2.8
 Exchange Rate (IDR/US\$)	15.000
 Oil Price/ICP (US\$/barrel)	82
 10Y T-Bonds Rate (%)	6.7
 Oil Lifting (Thousand bph)	635
 Gas Lifting (Thousand bsmph)	1,033

BUDGET SUPPORTS FOR STRUCTURAL REFORM AGENDA WELL MAINTAINED

Budget allocation for prioritized sectors on the upward trend

Budget Development on Priority Program

(in IDR Trillion)



% to total budget
(avg 2013-2024)

<p>20%</p> <p>Education fostering a competitive human capital</p>
<p>14%</p> <p>Social Protection promoting more effective and efficient social protection and subsidy distribution</p>
<p>14%</p> <p>Infrastructure accelerating the implementation of basic infrastructure projects</p>
<p>5%</p> <p>Health supporting health system reforms</p>

Source: Ministry of Finance
Note: The allocation for the year 2024 is the proposed budget figure



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