



MINISTRY OF FINANCE  
REPUBLIC OF INDONESIA

# Recent Macroeconomic and Fiscal Development

Jakarta, 23 January 2024

Kemenkeu Terpercaya



MINISTRY OF FINANCE  
REPUBLIC OF INDONESIA

01

# MACROECONOMICS UPDATES

# Global Economic Situation Has Evolved To Complicated Challenges

## HIGHER FOR LONGER

High interest rate environment poses challenges for monetary, fiscal, and financial sector stability



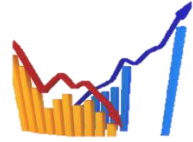
Prolonged tighter global liquidity



Deteriorated fiscal position



Squeezed critical spending & investment



Increase financial market volatility in EMs



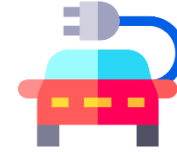
## CLIMATE CHANGE

Sources of threat to health, safety, economy & welfare, while provide opportunities for shifting towards a greener economy.



Extreme weather  
Natural disasters  
Primary sector disruption

VS



Electric vehicle



Energy Transition



Green industry

## GEOPOLITICAL TENSION

Increase risks of supply disruption, reduce global trade & investment, while provide opportunity for global power shift



Escalating Conflicts & Wars



Trade & Investment Reconfiguration



Geo-economic Fragmentation



De-dollarization

## DIGITALIZATION

Act as an important enabler, but comes with disruptive risks



AI



Chip war



Mis- & Disinformation

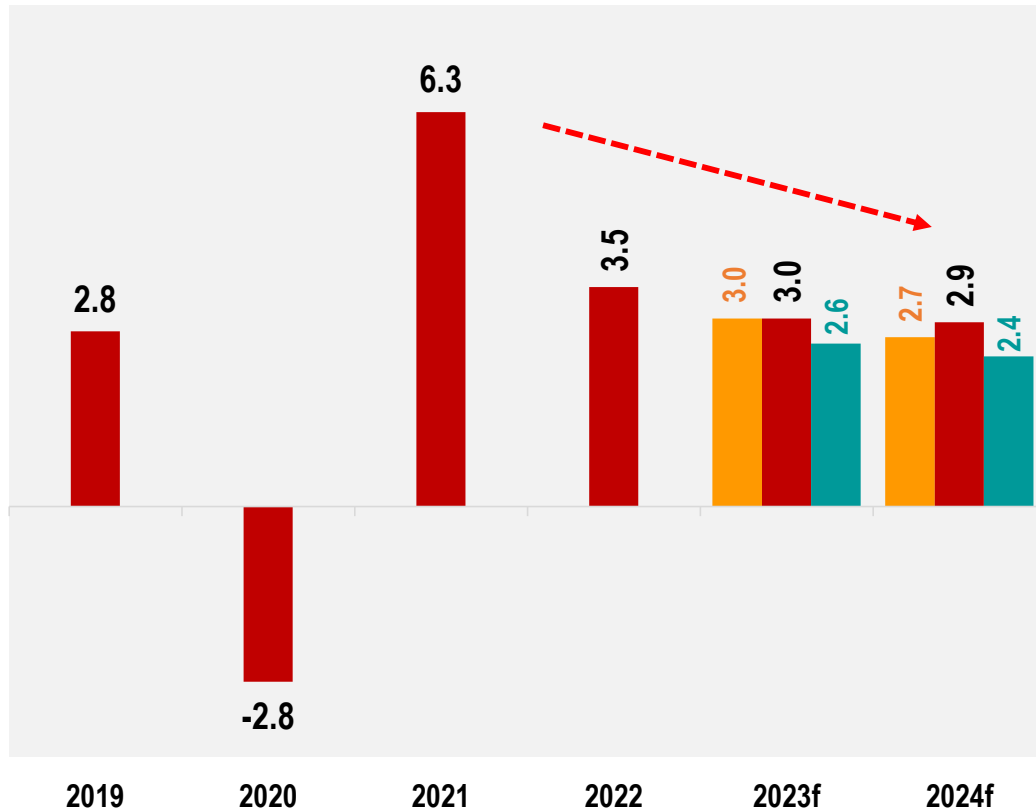


Future of Work

# Global Growth Outlook is Projected to Weaken

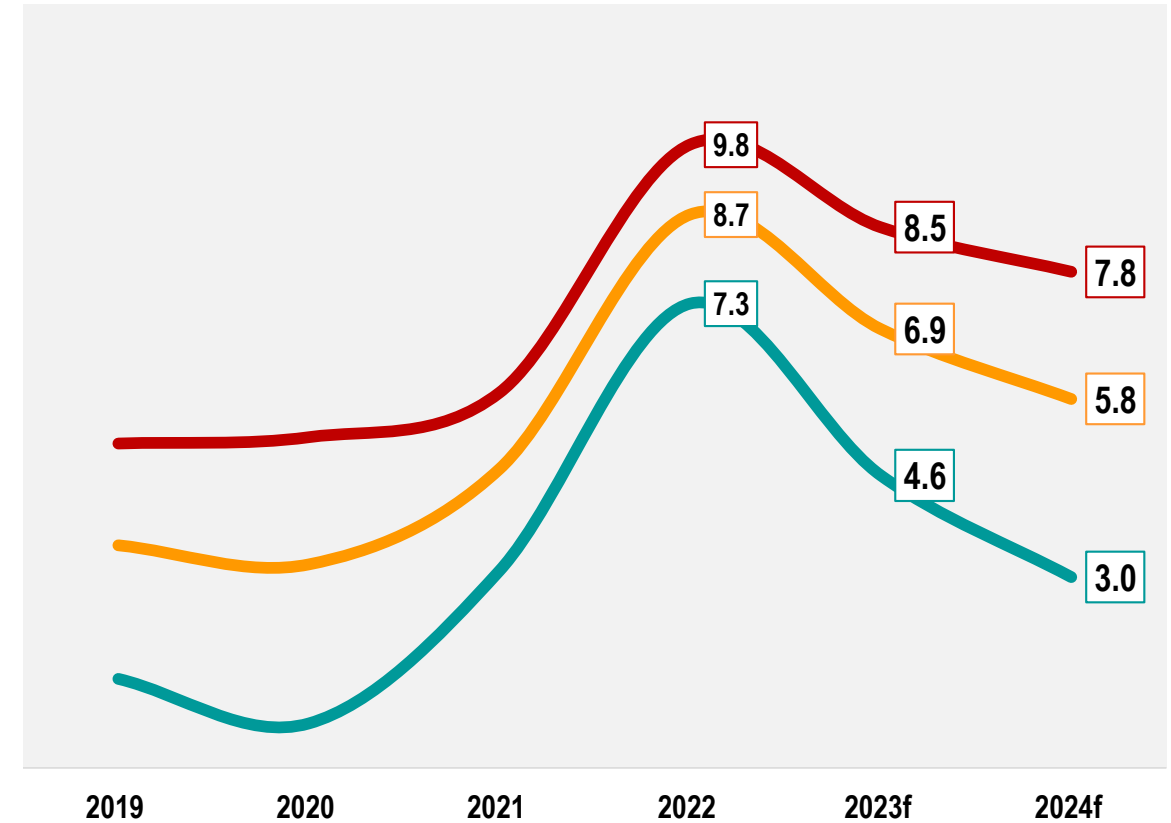
## Global GDP Growth, % yoy

■ OECD Sep '23 ■ IMF Okt '23 ■ WB Jan '24



## Inflation Rate by IMF, % yoy

■ Developing Countries ■ Global ■ Advanced Countries

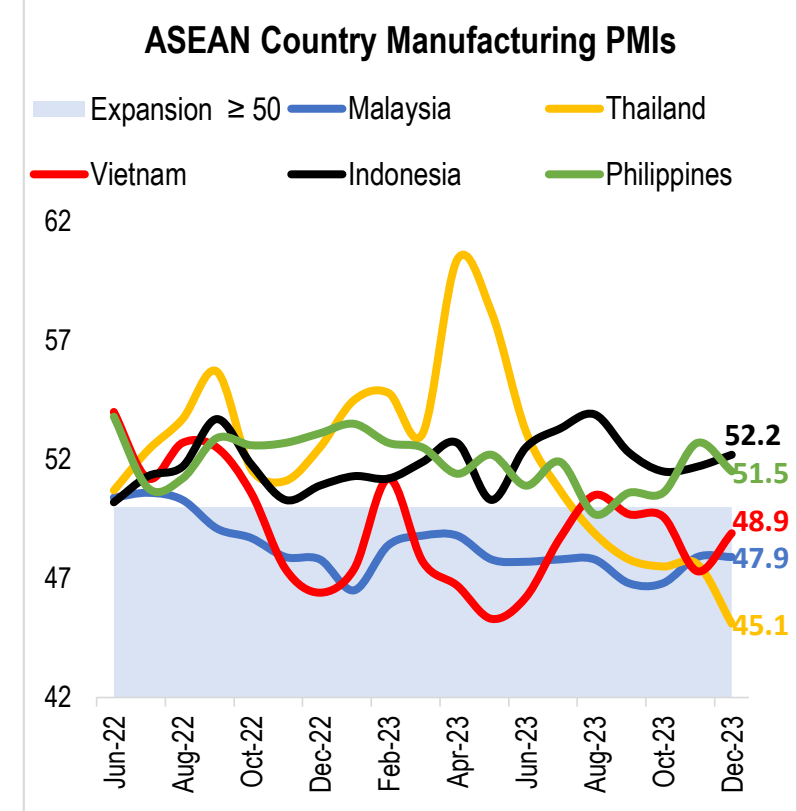
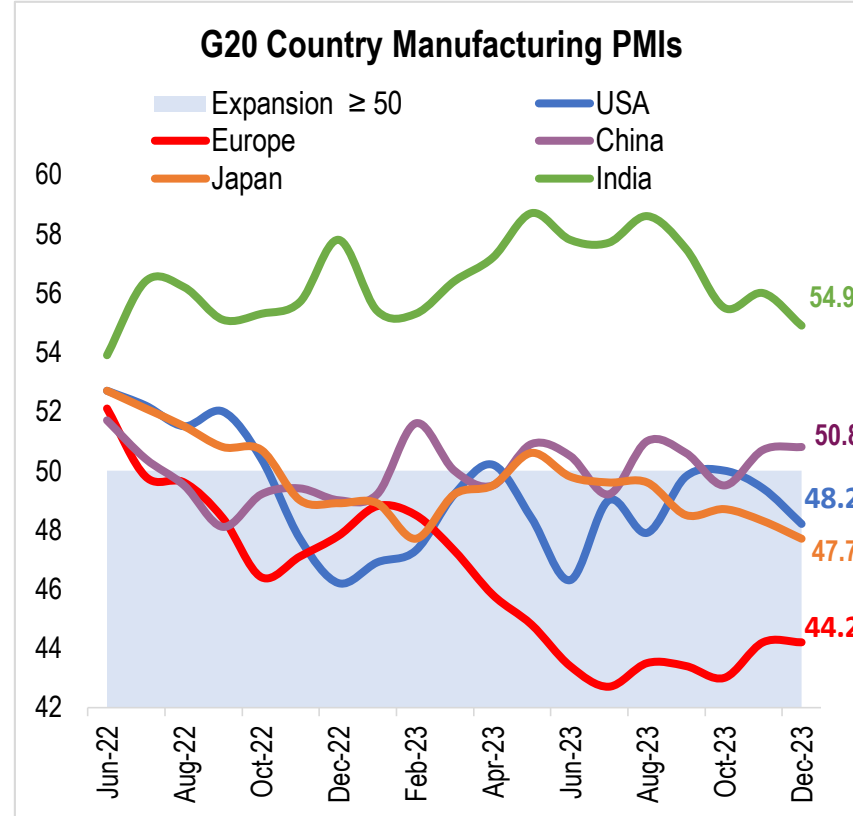
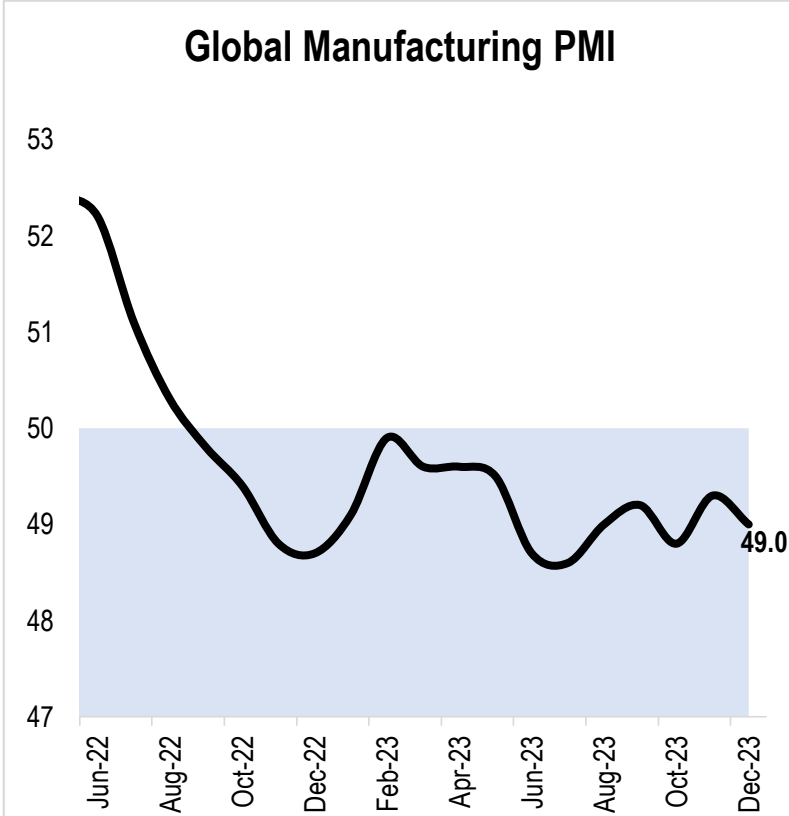


**Risks remain tilted to the downside**

- ✓ Persistently high inflation
- ✓ Higher for longer policy rate
- ✓ Financial sector turbulence
- ✓ Goeconomic Fragmentation
- ✓ Debt distress

# Global Manufacturing Continued In The Contraction Zone

Manufacturing activity in advanced economies, especially in the EU, US and Japan remains in contraction



## December 2023 Manufacturing PMI distribution of G20 and ASEAN-6 Countries

(minus ZAF, ARG)

**65.20%**

**Contraction**

US, Europe, Germany, France, UK, Italy, Japan, South Korea, Thailand, Malaysia, Vietnam, Canada, Brazil, Turkey, Australia

**34.80%**

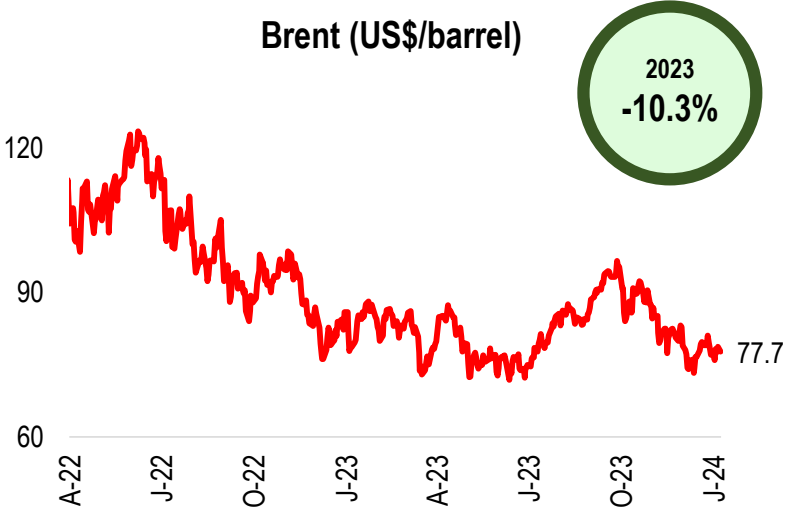
**Expansion**

Indonesia, Philippines, Singapore, India, China, Saudi Arabia, Mexico, Russia

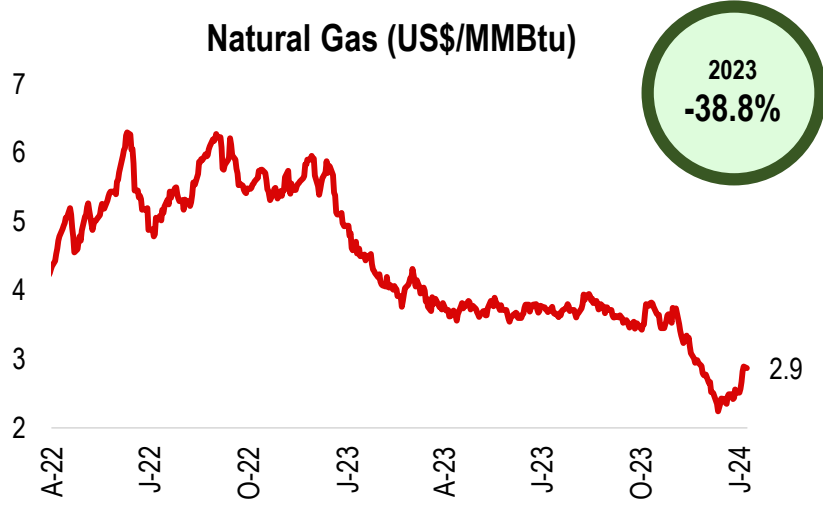
# Energy Prices Moderated With Weaker Global Economic Activities, But Remained Uncertain Due to Geopolitical Issues

## ENERGY COMMODITY PRICES

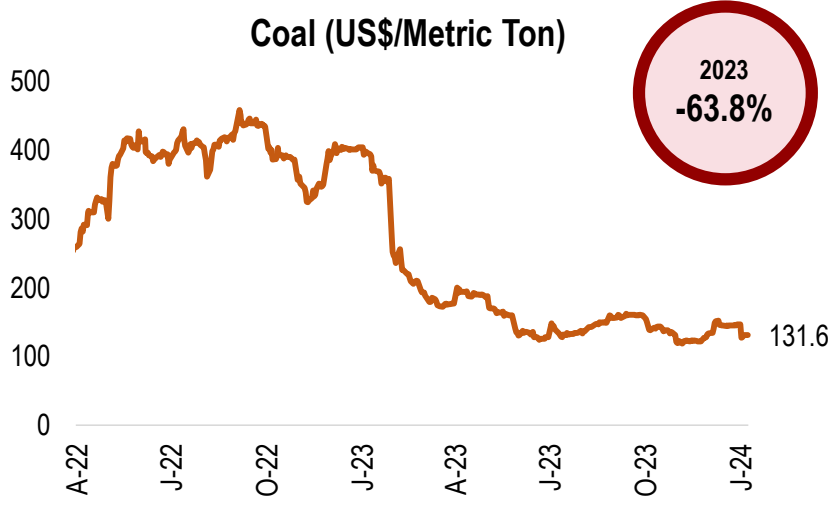
Brent (US\$/barrel)



Natural Gas (US\$/MMBtu)



Coal (US\$/Metric Ton)

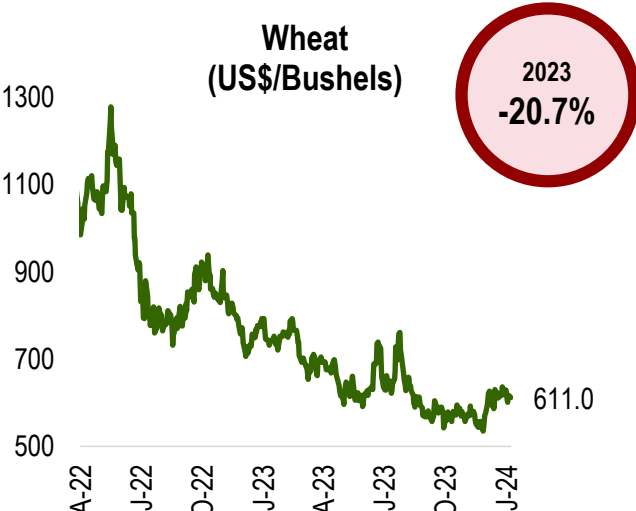


## AGRICULTURE COMMODITY PRICES

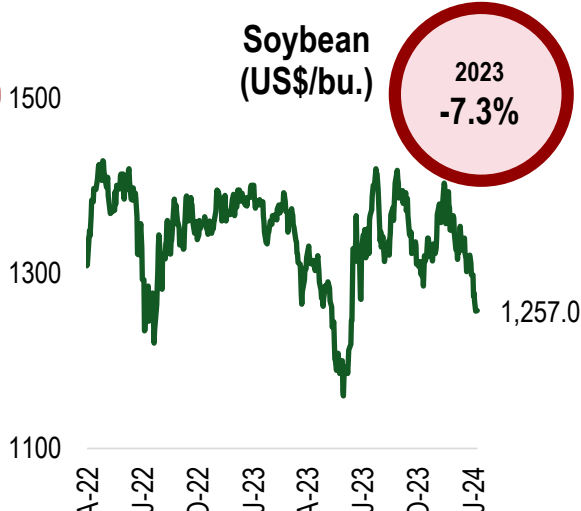
CPO (US\$/Ton)



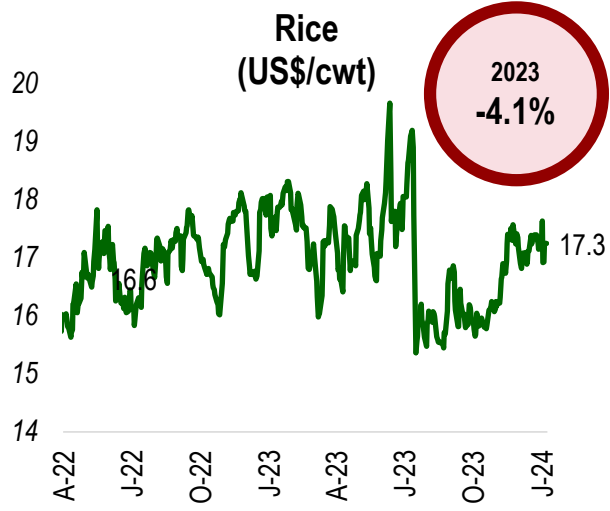
Wheat (US\$/Bushels)



Soybean (US\$/bu.)



Rice (US\$/cwt)

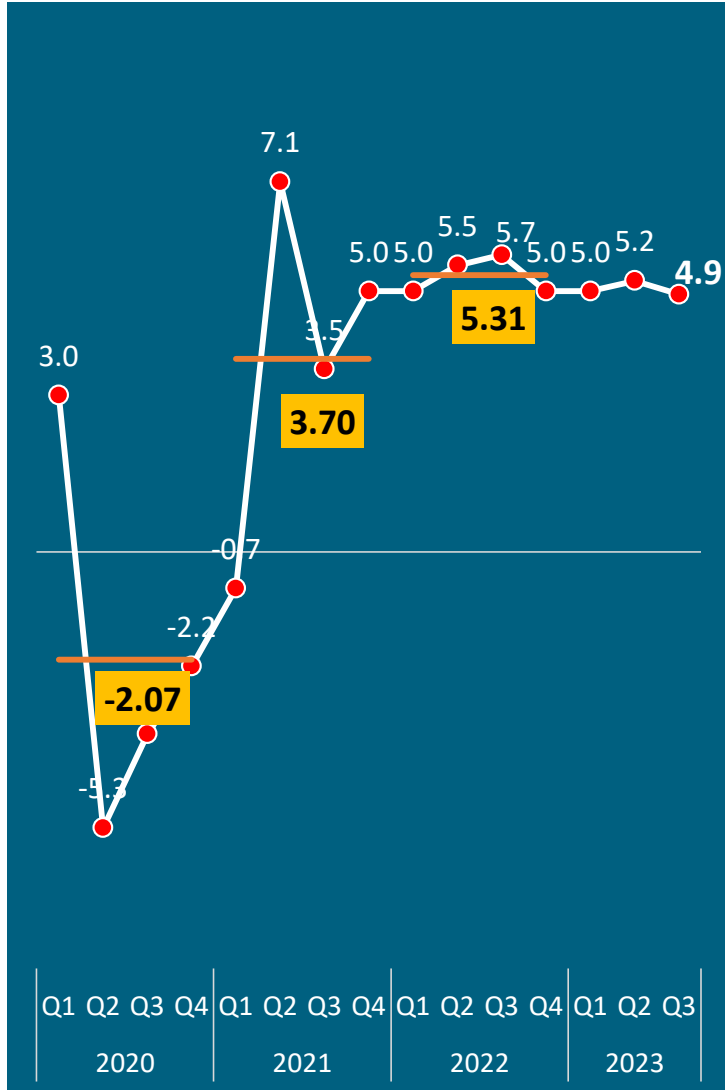


Source: Bloomberg, 8 January 2024

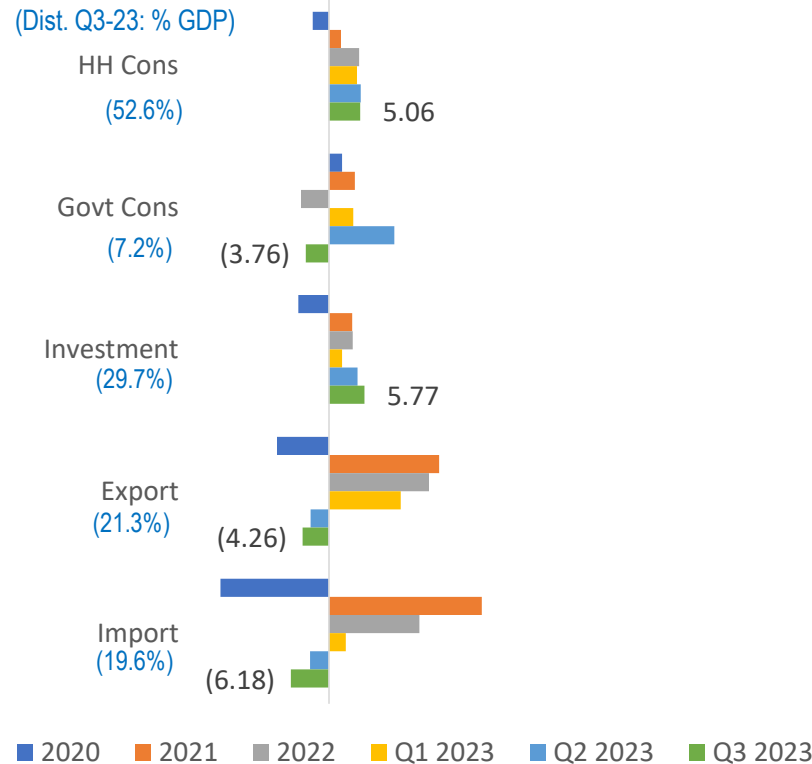
# Amid Weakening Global Growth, the Indonesian Economy Remains Robust

The economy expanded by 4.94% in Q3 2023

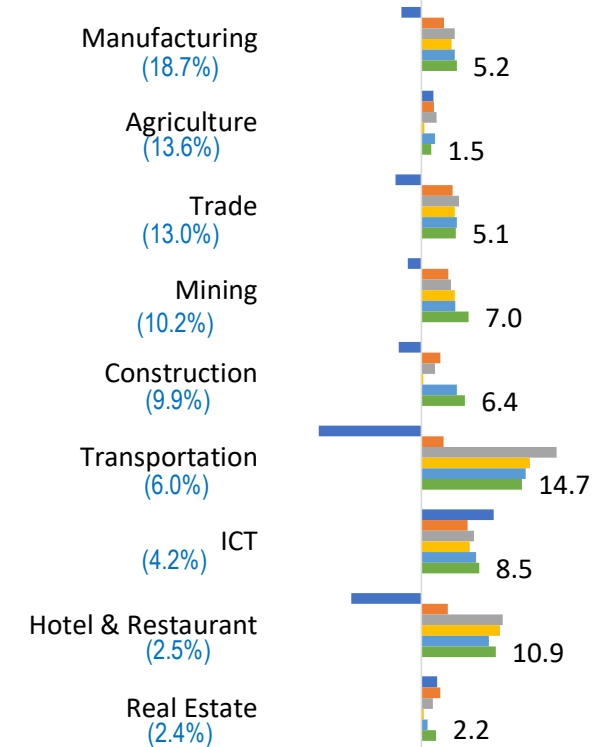
## Yearly GDP Growth (% YoY)



## GDP Growth: Expenditure (% YoY)



## GDP Growth: Production (% YoY)

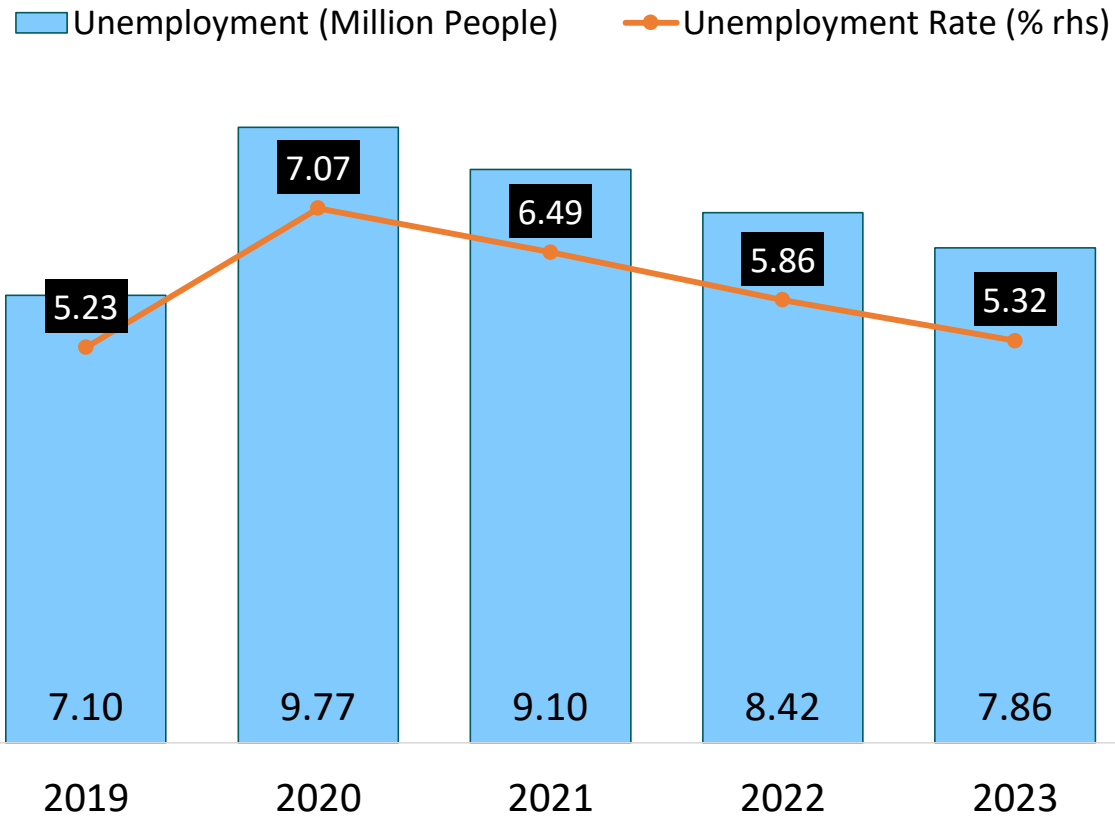


- Consumption expanded at above 5%, on account of modest inflation, improving job opportunities, and various social assistance programs provided for low-income families.
- Investment strengthened on the back of expansion in construction activities (infrastructure).
- Exports experienced a contraction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

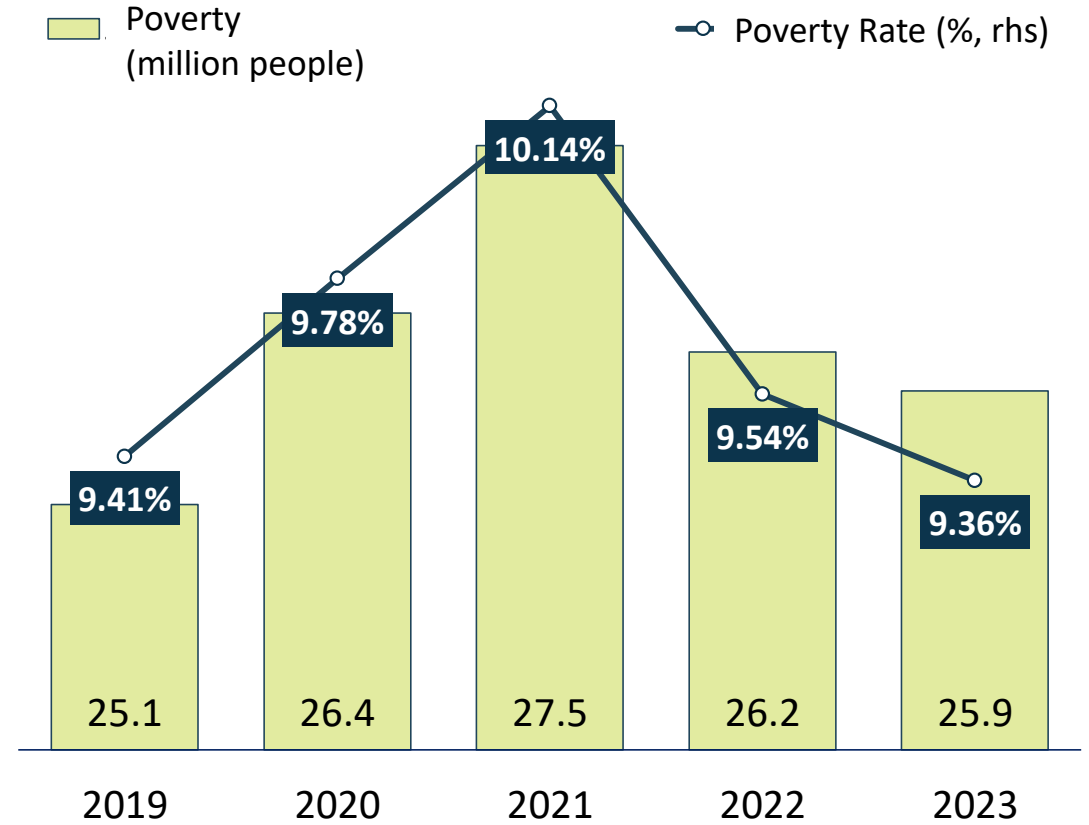
- All main sectors expanded.
- The manufacturing sector grew by 5.2%, above the aggregate GDP growth rate, on account of remained strong domestic demand.
- Accommodation and transportation continued to grow at double digits with strengthening domestic demand.

# Unemployment And Poverty Rate Declined With Robust Economic Growth

## Unemployment Rate



## Poverty Rate

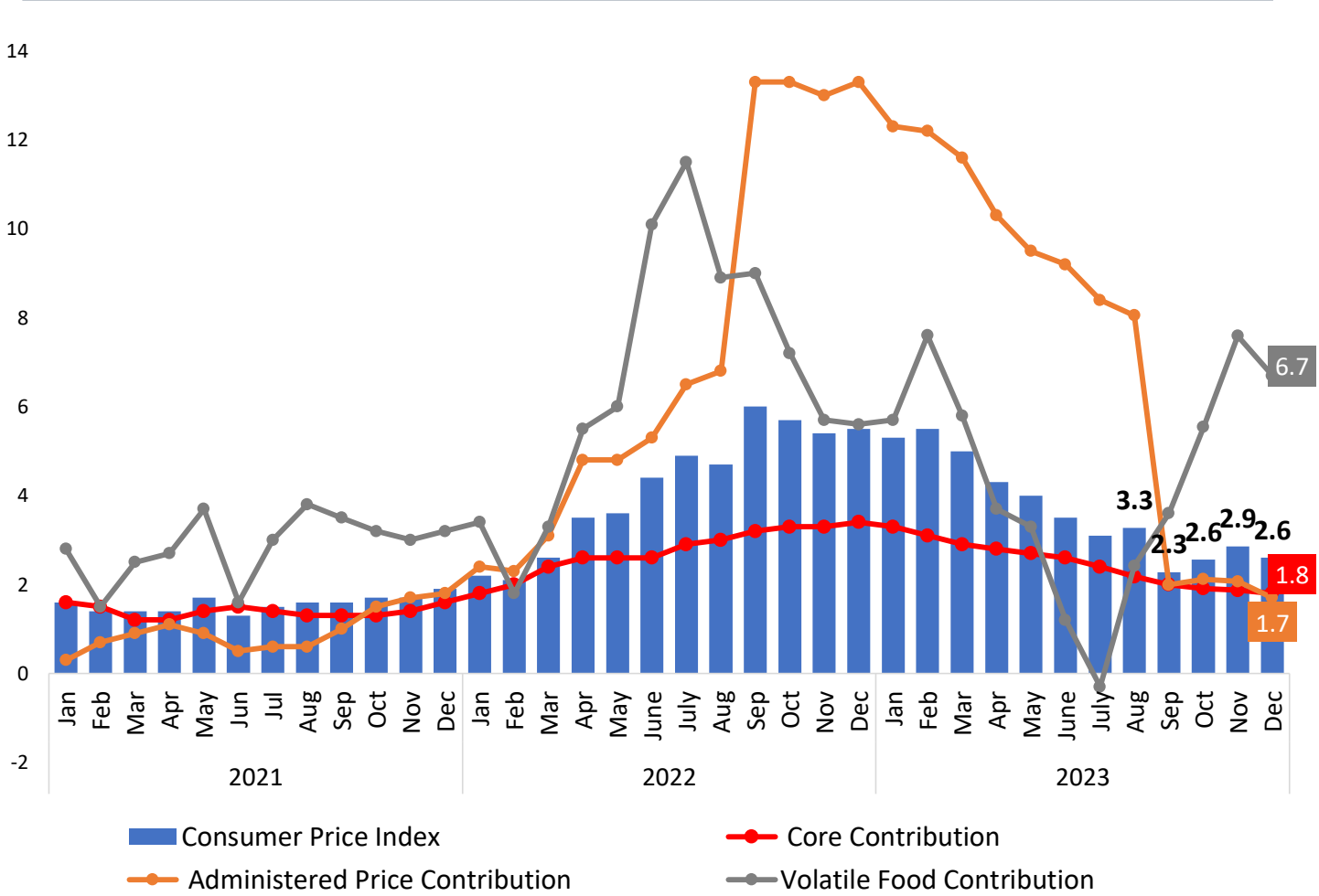




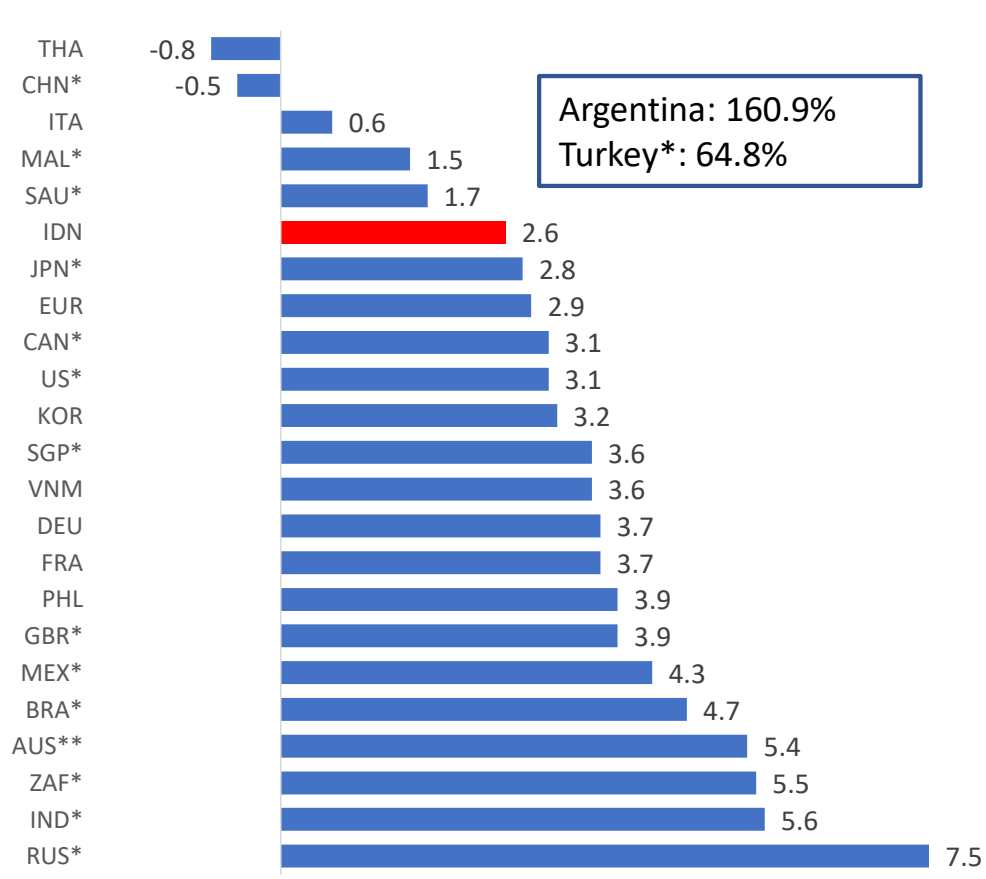
# Inflation Remained Modest And Within Government Target

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

### Inflation by Component (%)



### Inflation by Countries (December, % eop, yoy)

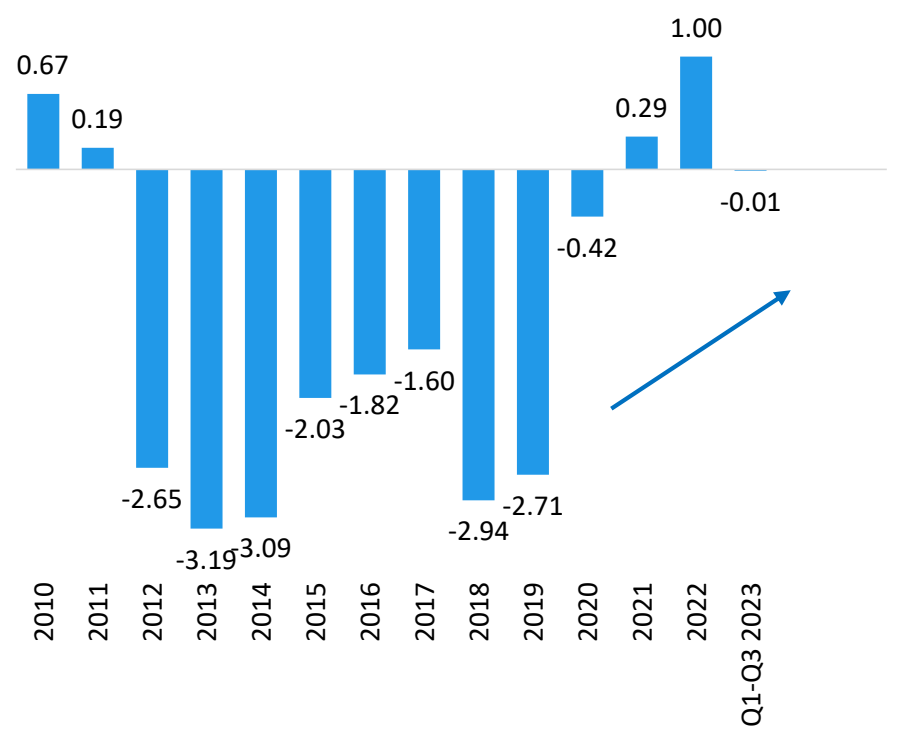


\* Inflation at December \*\*Inflation at September

# EXTERNAL POSITION REMAINED STRONG

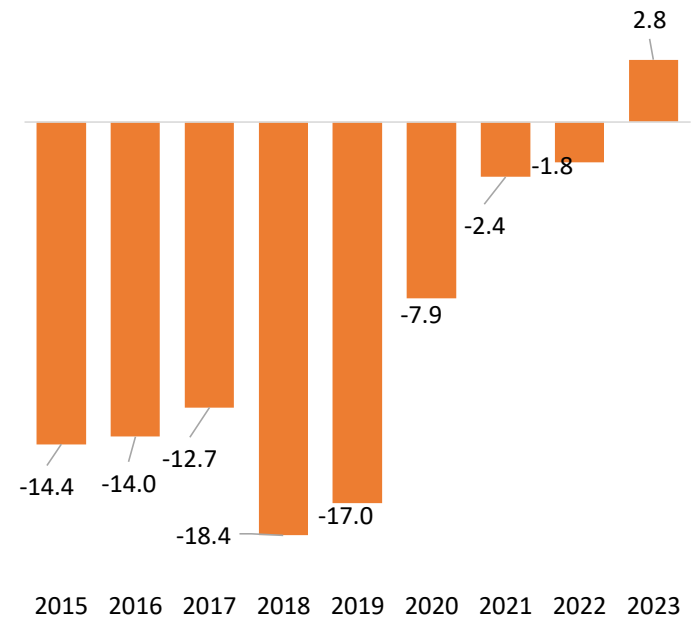
The Current Account continues to exhibit strength and is anticipated to remain balanced in 2023, notwithstanding the weakened global demand

### Current Account Balance (% of GDP)

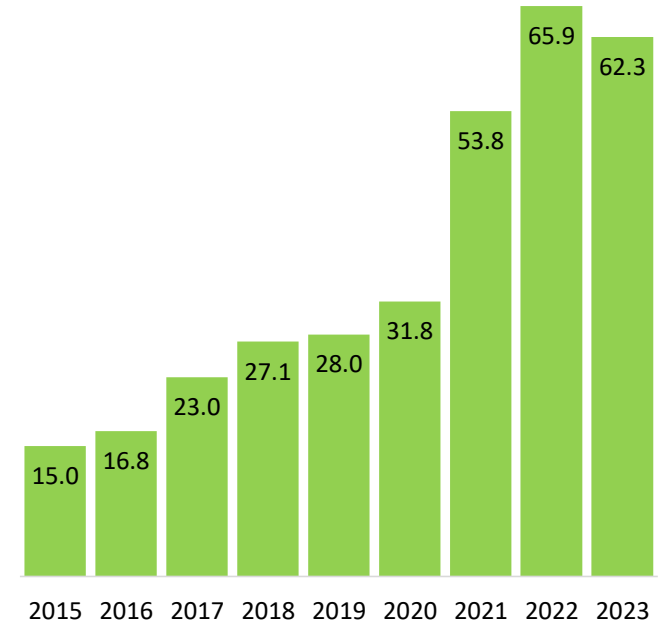


### Indonesia's Trade with China (Billion USD)

#### Trade Balance 2015-2023 (USD bn)



#### Exports: Iron and Steel 2015-2023 (USD bn)



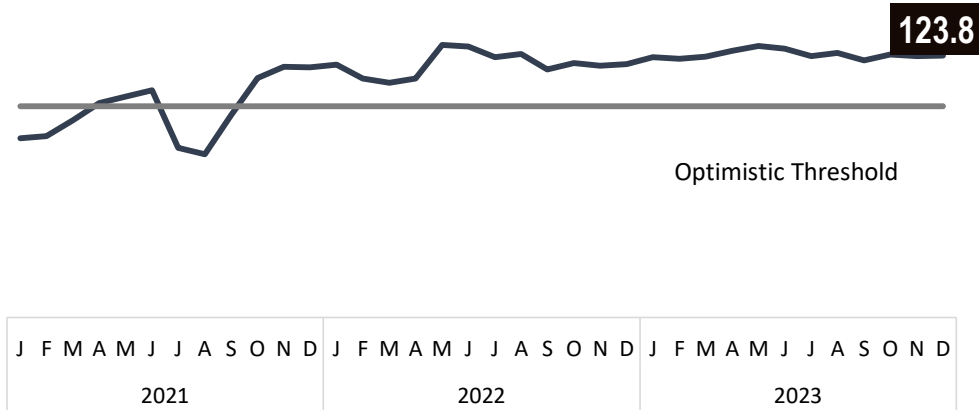
- Indonesia has recorded current account surplus since 2021, driven by a strong export performance on account of down-streaming strategy
- While exports to other regions was in contraction in 2023 due to weaker global demand, exports to China remained in expansion, driven mainly by nickel related products (iron and steel).

# Short-Term Prospect Remains Relatively Strong

Both consumption and production sectors demonstrated rebound trajectories

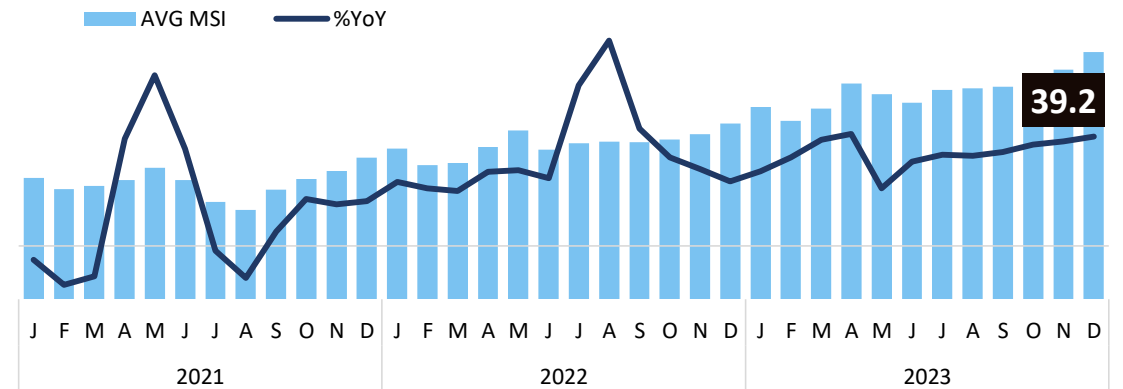
## Consumption Indicator – Consumer Confidence Index

The Consumers optimism are quite high.



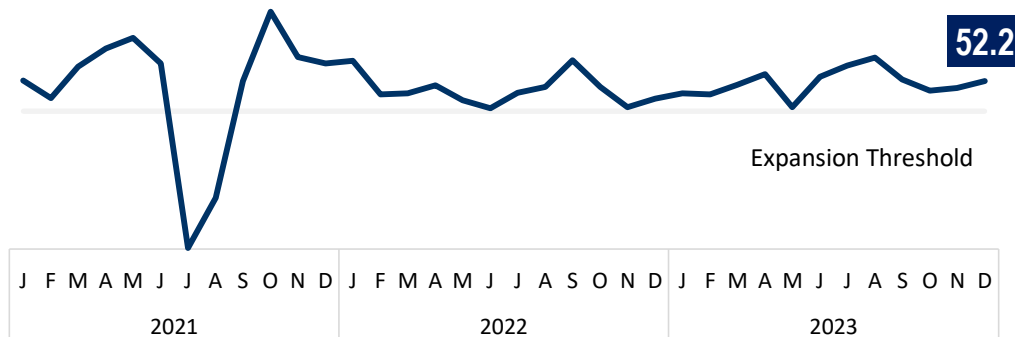
## Consumption Indicator – Mandiri Spending Index

Consumption continues to rise, driven by year-end holidays.



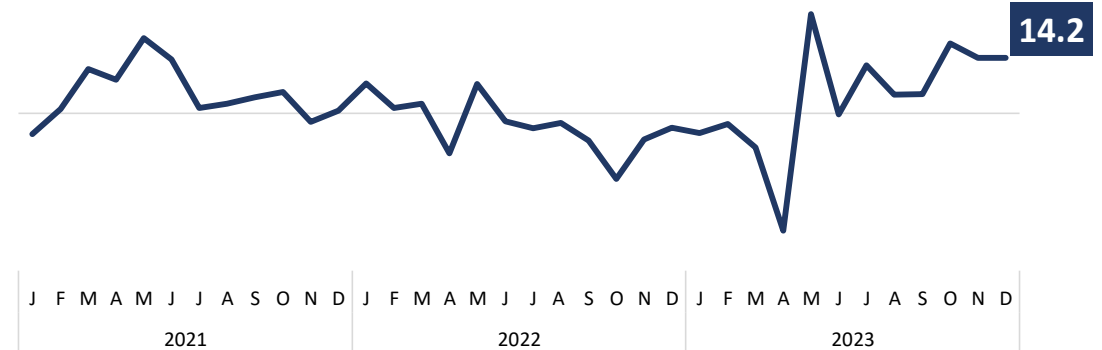
## Production Indicator – PMI Manufacturing

Indonesia's PMI continues the expansion



## Production Indicator – Cement Consumption

Cement consumption is growing positively.

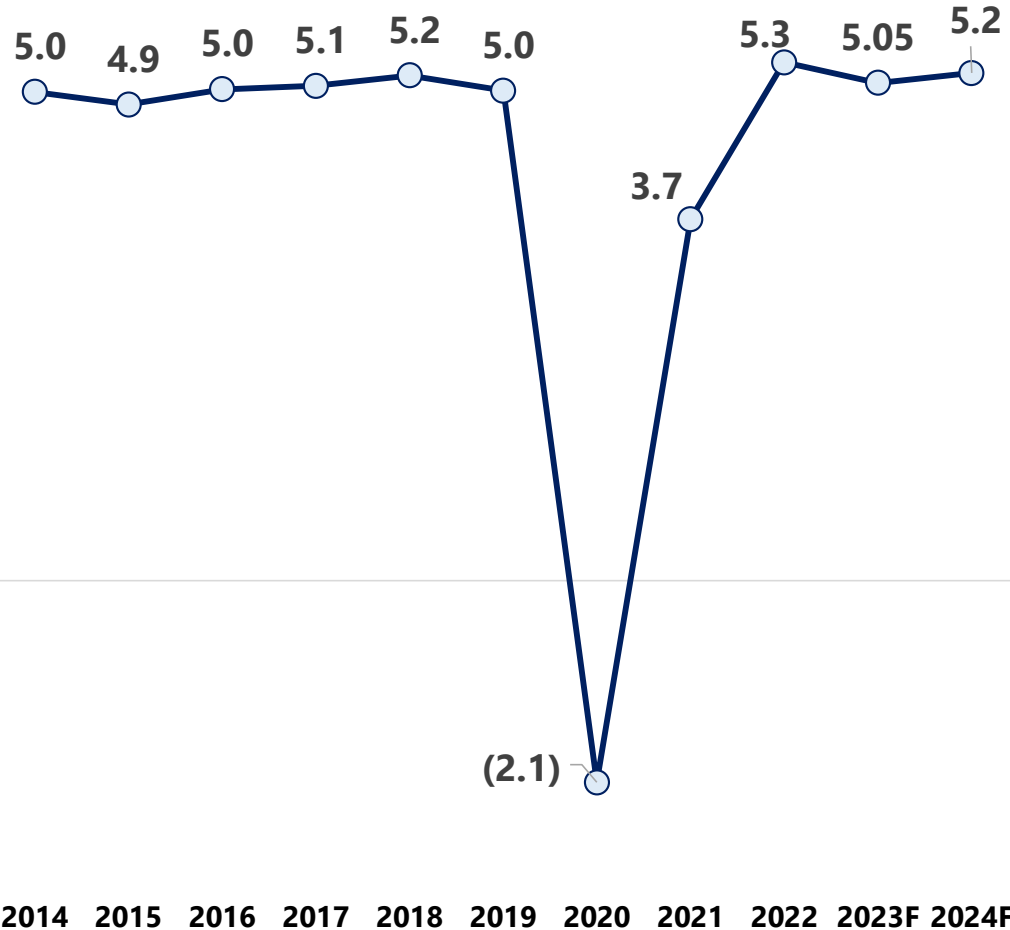


# Growth Performance is Expected To Sustain in 2023 And 2024

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 '23)

5.0

5.0

World Bank (GEP Jan '24)

4.9

4.9

OECD (Sept '23)

4.9

5.2

Bloomberg Consensus (Jan '24)

5.0

5.0

- The economic growth in 2023 is projected to be around 5% (YoY).
- Domestic consumption remains relatively strong, driven by increased economic activity during religious holidays, year-end vacations, pre-election activities, and controlled inflation to preserve purchasing power.
- Optimal government spending, exceeding 100%, supports government consumption and indirectly contributes to household consumption.
- Both building and non-building investments are on an upward trend, aligning with the progress of the National Strategic Projects (PSN)



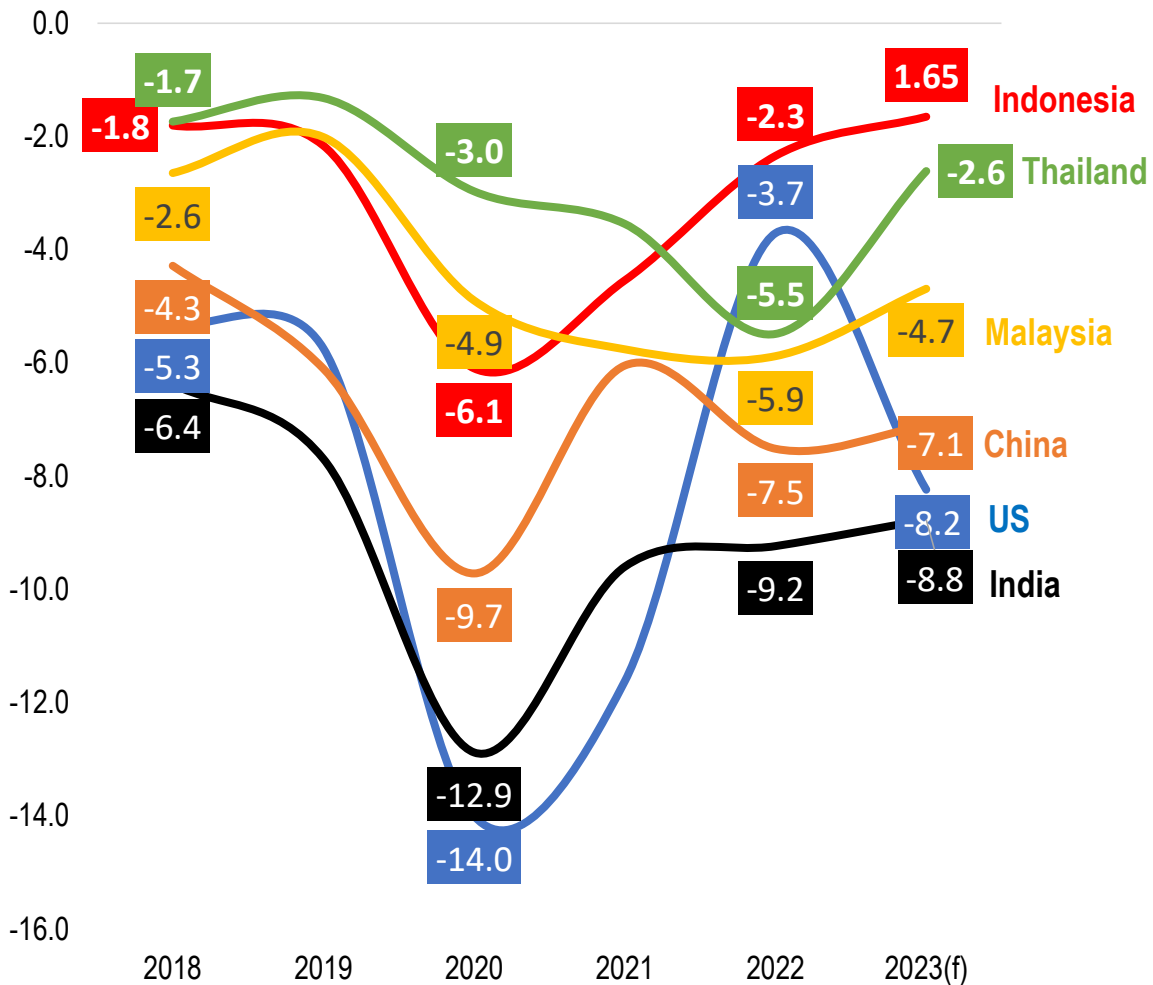
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## FISCAL UPDATES

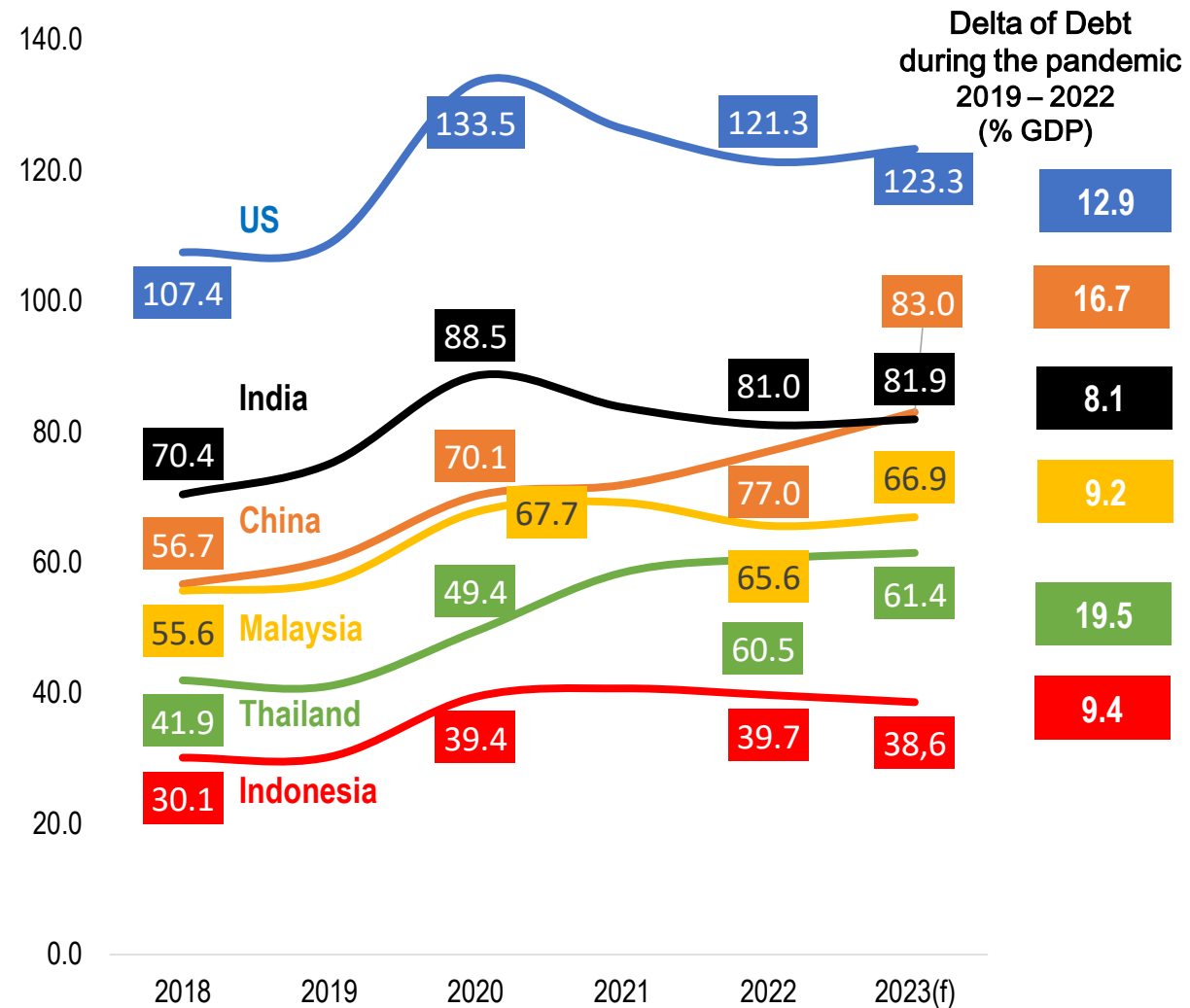
# Indonesia is Among Few Countries With Improving Fiscal Position

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 Fiscal Monitor Oct '23 & MoF, processed

# 2023 BUDGET OUTTURN REMAIN STRONG

Fiscal deficit narrower with surplus in primary balance

Account (IDR Tn)	2022		2023					
	Audited	Growth <sup>1</sup> (%)	Budget	Growth to Budget 2022 (%)	Prelim. Real.	Growth to Budget 2022 (%)	% to 2023 Budget	% to Pres Reg. 75/2023 Budget
<b>Revenue</b>	<b>2,635.8</b>	<b>31.0</b>	<b>2,463.6</b>	<b>(6.5)</b>	<b>2,774.3</b>	<b>5.3</b>	<b>112.6</b>	<b>105.2</b>
Tax Revenue	2,034.6	31.4	2,021.2	(0.7)	2,155.4	5.9	106.6	101.7
1. Tax	1,716.8	34.3	1,718.0	0.1	1,869.2	8.9	108.8	102.8
2. Custom & Excise	317.8	18.0	303.2	(4.6)	286.2	(9.9)	94.4	95.4
Non Tax Revenue	595.6	29.9	441.4	(25.9)	605.9	1.7	137.3	117.5
<b>Expenditure</b>	<b>3,096.3</b>	<b>11.1</b>	<b>3,061.2</b>	<b>(1.1)</b>	<b>3,121.9</b>	<b>0.8</b>	<b>102.0</b>	<b>100.2</b>
Central Government Expenditure	2,280.0	14.0	2,246.5	(1.5)	2,240.6	(1.7)	99.7	97.3
1. Line Ministries Spending	1,084.7	(8.9)	1,000.8	(7.7)	1,153.5	6.3	115.2	115.2
2. Non- Line Ministries Spending	1,195.4	47.6	1,245.6	4.2	1,087.2	(9.1)	87.3	83.5
Transfer to Region	816.2	3.9	814.7	(0.2)	881.3	8.0	108.2	108.2
<b>Primary Balance</b>	<b>(74.1)</b>	<b>(82.8)</b>	<b>(156.8)</b>	<b>111.6</b>	<b>92.2</b>	<b>(224.4)</b>	<b>(58.8)</b>	<b>(239.4)</b>
<b>Surplus (Deficit)</b>	<b>(460.4)</b>	<b>(40.6)</b>	<b>(598.2)</b>	<b>29.9</b>	<b>(347.6)</b>	<b>(24.5)</b>	<b>58.1</b>	<b>72.4</b>
<i>% to GDP</i>	<i>(2.35)</i>		<i>(2.84)</i>		<i>(1.65)</i>			
<b>Financing</b>	<b>591.0</b>	<b>(32.2)</b>	<b>598.2</b>	<b>1.2</b>	<b>359.5</b>	<b>(39.2)</b>	<b>60.1</b>	<b>74.9</b>

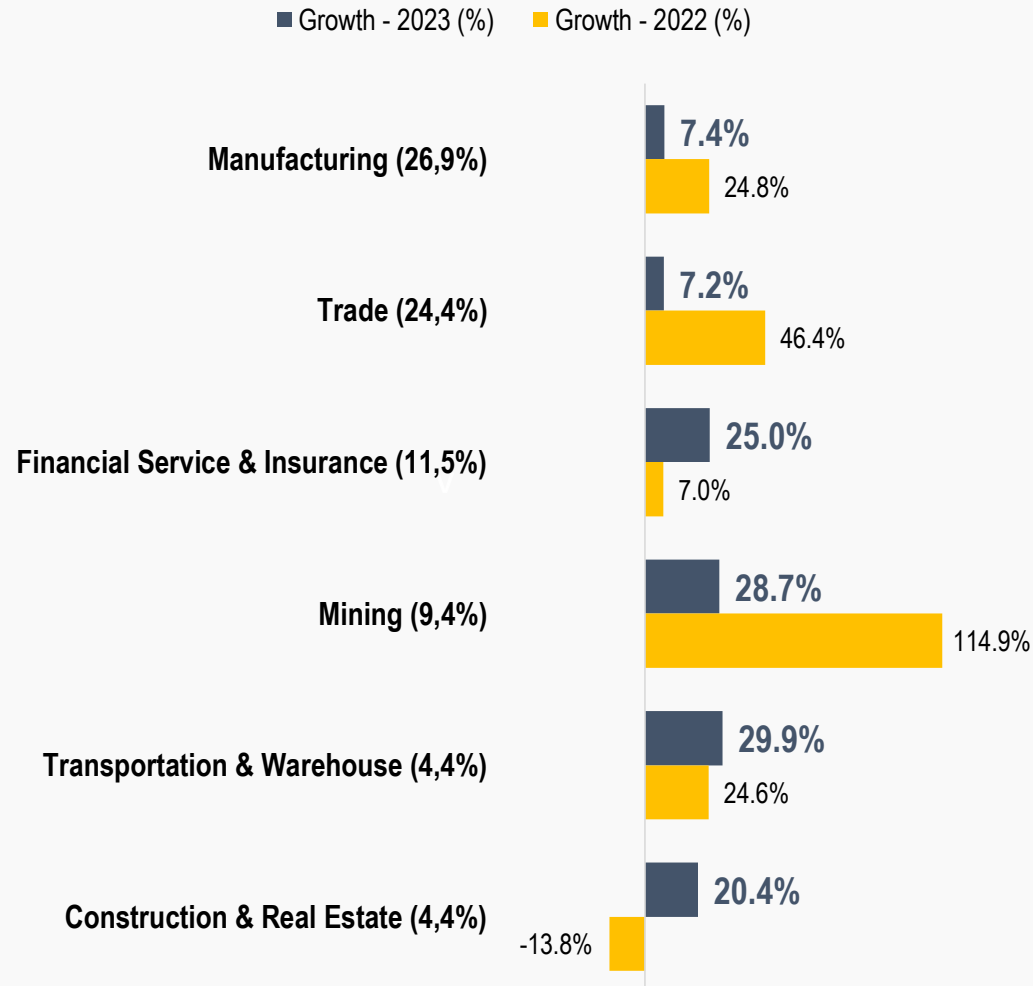
Source: Ministry of Finance

Note: 1. % Growth of 2021 Budget Realization

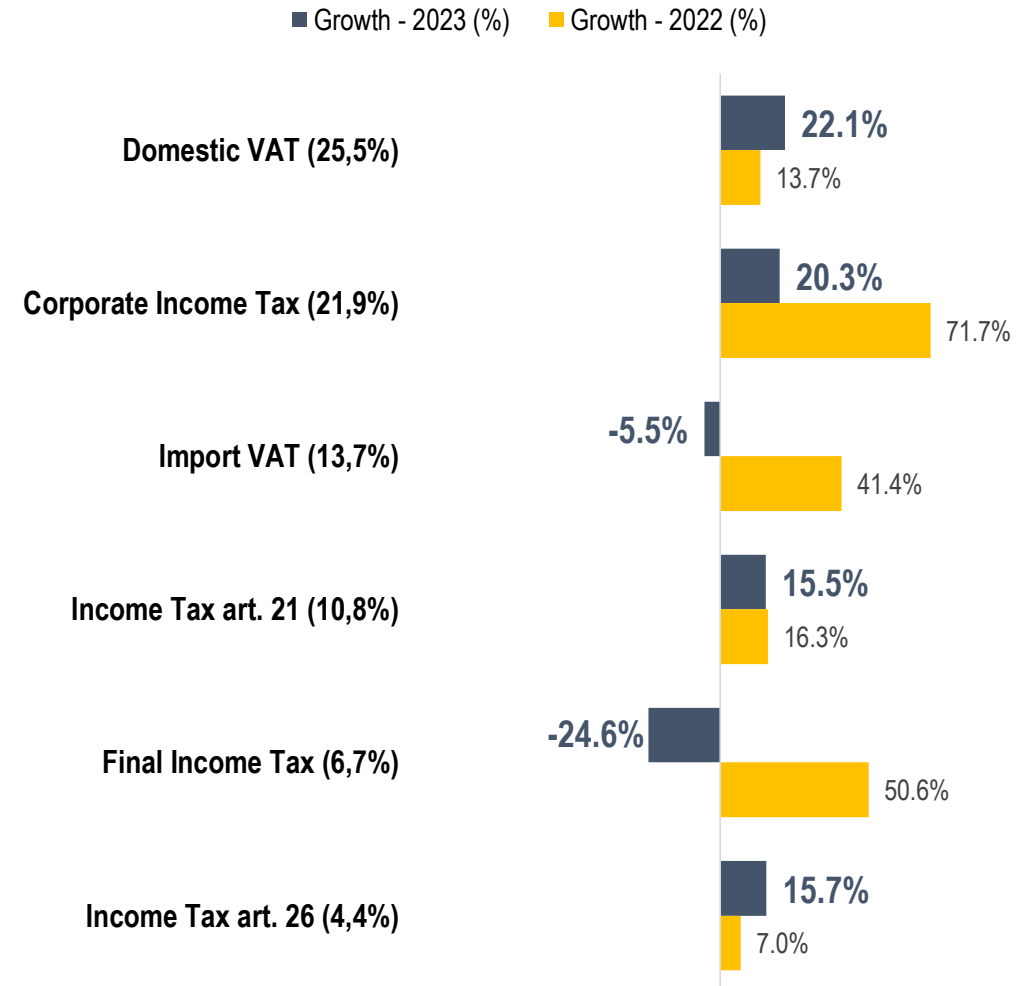
# Sectoral Wise, Tax Collection Also Remain Strong Despite High Base Effect

Strong domestic demand has led robust tax collection

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



## Cumulative Growth in Types of Tax Revenue (YoY)

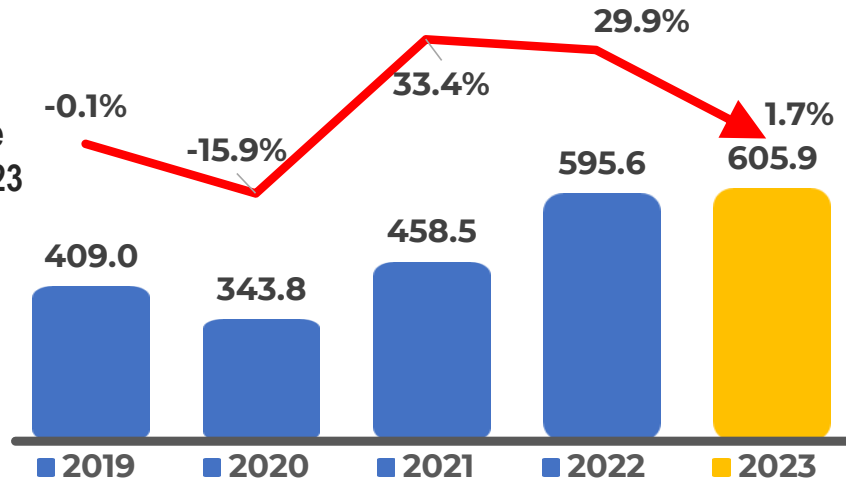


Source: Source: DGT Portal Application and Revenue Dashboard end of 2023  
 Note: Sectoral revenue without PPS, DTP, PBB, and oil and gas income tax



# Non-tax Revenue Exceeded Its Initial Target, Despite Moderating Commodity Prices

Non Tax Revenue 2019-2023 (IDR T)



Source: Ministry of Finance

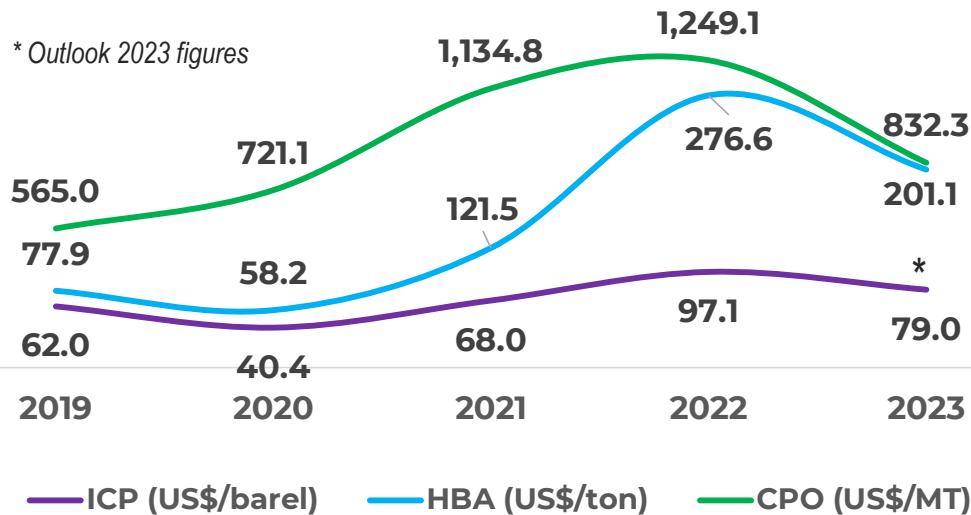


\*preliminary realization 2023

## Average Commodity Prices 2019-2023

Source: Ministry of Energy and Mineral Resources and Ministry of Trade

\* Outlook 2023 figures



Amidst the moderation trend in commodity prices and global economic uncertainty, **Non Tax Revenue was still able to provide a very positive performance.**

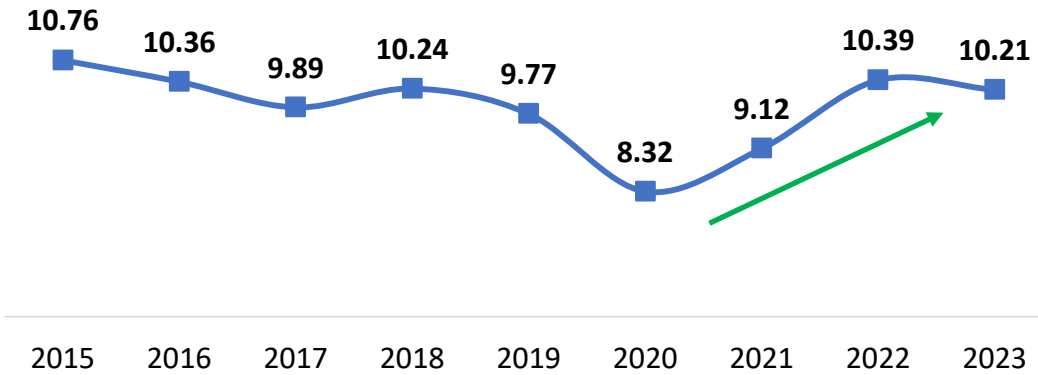
**Non Tax Revenue's performance is partly supported by an increase in coal royalty rates**

**Non Tax revenue from K/L services also increased.**

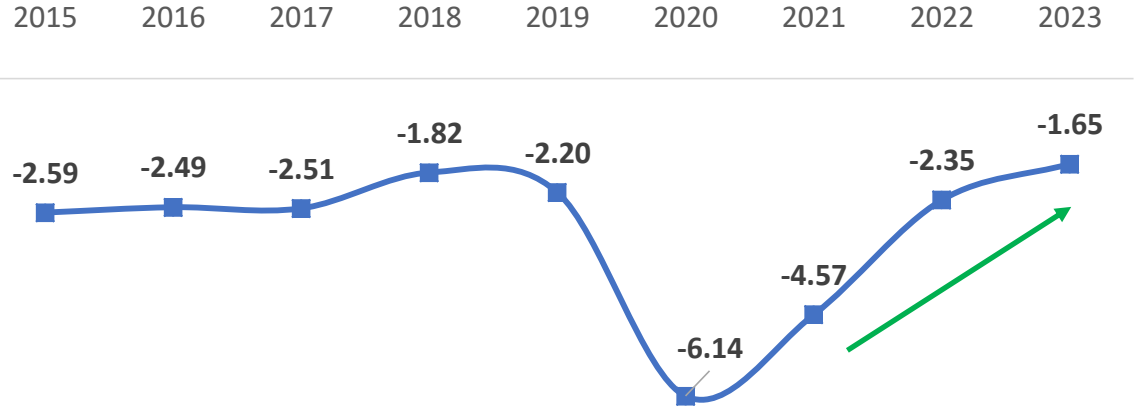
# Overall Fiscal Position Continued To Improve

Continue robust economy growth and tax reform has been able to offset the adverse impact of the moderating commodity prices

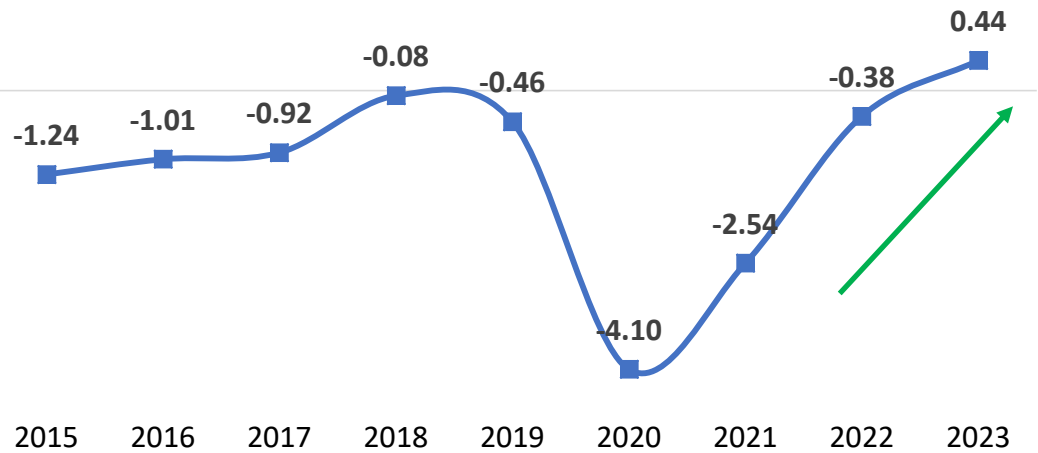
## Tax ratio increases in line with stronger recovery (% GDP)



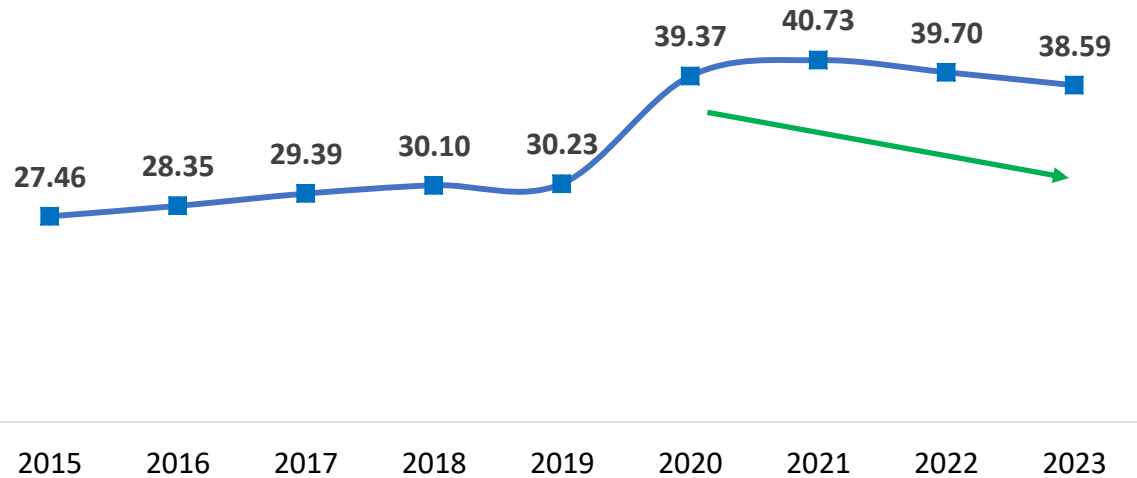
## Overall budget position improved significantly (% GDP)



## Primary Balance tend to surplus (% GDP)



## Debt Ratio Declines(% of GDP)



# 2024 FISCAL POLICY IS DIRECTED TO ACCELERATE ECONOMIC TRANSFORMATION

## Medium to Long-Term Fiscal Policy Focus

Consistently Pursuing Short-Term Improvements and Addressing Structural Issues to Achieve **The Advanced Indonesia** 2045 Vision

### Human Capital Gap

- Enhancing the Quality of Education
- Strengthening Healthcare Facilities and Services
- Improving Nutrition
- Enhancing the Quality of Vocational Workforce)

### Infrastructure Gap

- Improving Basic Infrastructure
- Enhancing Information Technology Infrastructure
- Upgrading Energy Infrastructure
- Improving Environmental Health Infrastructure

### Institutional Gap

- Regulatory Improvement and Bureaucracy Reform
- Ease of Doing Business (Through the OSS)
- Strengthening the Financial Sector (P2SK Law)
- Establishment of the Sovereign Wealth Fund (INA)

**The Role of the Government Budget in addressing the binding constraints → Support Economic Transformation**

### Economic Transformation

**Productivity**  
Low → High

**Value Added**  
Low → High

**Environment**  
*Brown → clean & green*

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








**PROSPEROUS  
INDONESIA  
2045 VISION**

# 2024 BUDGET POSTURES

Focused on expediting inclusive and sustainable economic transformation

Account (IDR Tn)	2022	2023	2024	% Growth to 2023 Realization
	Audited	Preliminary Real.	Budget	
<b>Revenue</b>	<b>2,635,8</b>	<b>2,774.3</b>	<b>2,802.3</b>	<b>1.0</b>
Tax Revenue	2,034.6	2,155.4	2,309.9	6.7
Non Tax Revenue	595.6	605.9	492.0	(23.2)
<b>Expenditure</b>	<b>3,096.3</b>	<b>3,121.9</b>	<b>3,325.1</b>	<b>6.1</b>
Central Government Expenditure	2,280.0	2,240.6	2,467.5	9.2
Transfer to Region	816.2	881.3	857.6	-2.8
<b>Primary Balance</b>	<b>(74.1)</b>	<b>92.2</b>	<b>(25.5)</b>	<b>461.6</b>
<b>Surplus (Deficit)</b>	<b>(460.4)</b>	<b>(347.6)</b>	<b>(522.8)</b>	<b>33.5</b>
<i>% to GDP</i>	<i>(2.35)</i>	<i>(1.65)</i>	<i>(2.29)</i>	
<b>Financing</b>	<b>591.0</b>	<b>359.5</b>	<b>522.8</b>	<b>45.4</b>

## MACROECONOMIC ASSUMPTIONS FOR THE 2024 BUDGET

	<b>Economic Growth</b>	<b>5.2% (yoy)</b>
	<b>Inflation</b>	<b>2.8% (yoy)</b>
	<b>Exchange rate</b>	<b>IDR15.000/US\$</b>
	<b>Oil Price/ ICP</b>	<b>USD82/barrel</b>
	<b>10Y T-Bonds Rate</b>	<b>6.7%</b>
	<b>Oil Lifting</b>	<b>635 Thousand bpd</b>
	<b>Gas Lifting</b>	<b>1,033 Thousand bsmpd</b>

# BUDGET PRIORITIES TO SUPPORT ECONOMIC TRANSFORMATION

## EDUCATION

2023\*: IDR 503.8 T

2024 : IDR 665.0 T



- Improving access and quality of education
- Infrastructure enhancement, teacher competence
- Vocational education strengthening
- Increased investment in education sector

## SOCIAL PROTECTION

2023\*: IDR 443.4 T

2024 : IDR 496.8 T



- Enhancing data and program targeting
- Strengthening lifelong social assistance
- Gradual poverty alleviation through empowerment, promoting program complementarity
- Improving the quality of social assistance implementation

## INFRASTRUCTURE

2023\*: IDR 455.8 T

2024 : IDR 423.4 T



- Economic infrastructure development (connectivity, transportation, energy)
- Support for New Capital City development
- Enhancing digital transformation through ICT access

## HEALTH

2023\*: IDR 183.2 T

2024 : IDR 187.7 T



- Stunting reduction through nutrition and immunization.
- Strengthening pharmaceutical self-sufficiency.
- Improving National Health Insurance.
- Enhancing healthcare services.
- Improving healthcare personnel quality and distribution

## FOOD SECURITY

2023\*: IDR 112.7 T

2024 : IDR 114.3 T



- Increase food production with infrastructure, land optimization, research, and capacity building
- Strengthen farmer institutions through cooperatives, financial support, and crop insurance
- Develop food production centers. Enhance national food reserves.

## NEW CAPITAL CITY

2023\*: IDR 26.7 T

2024 : IDR 40.6 T

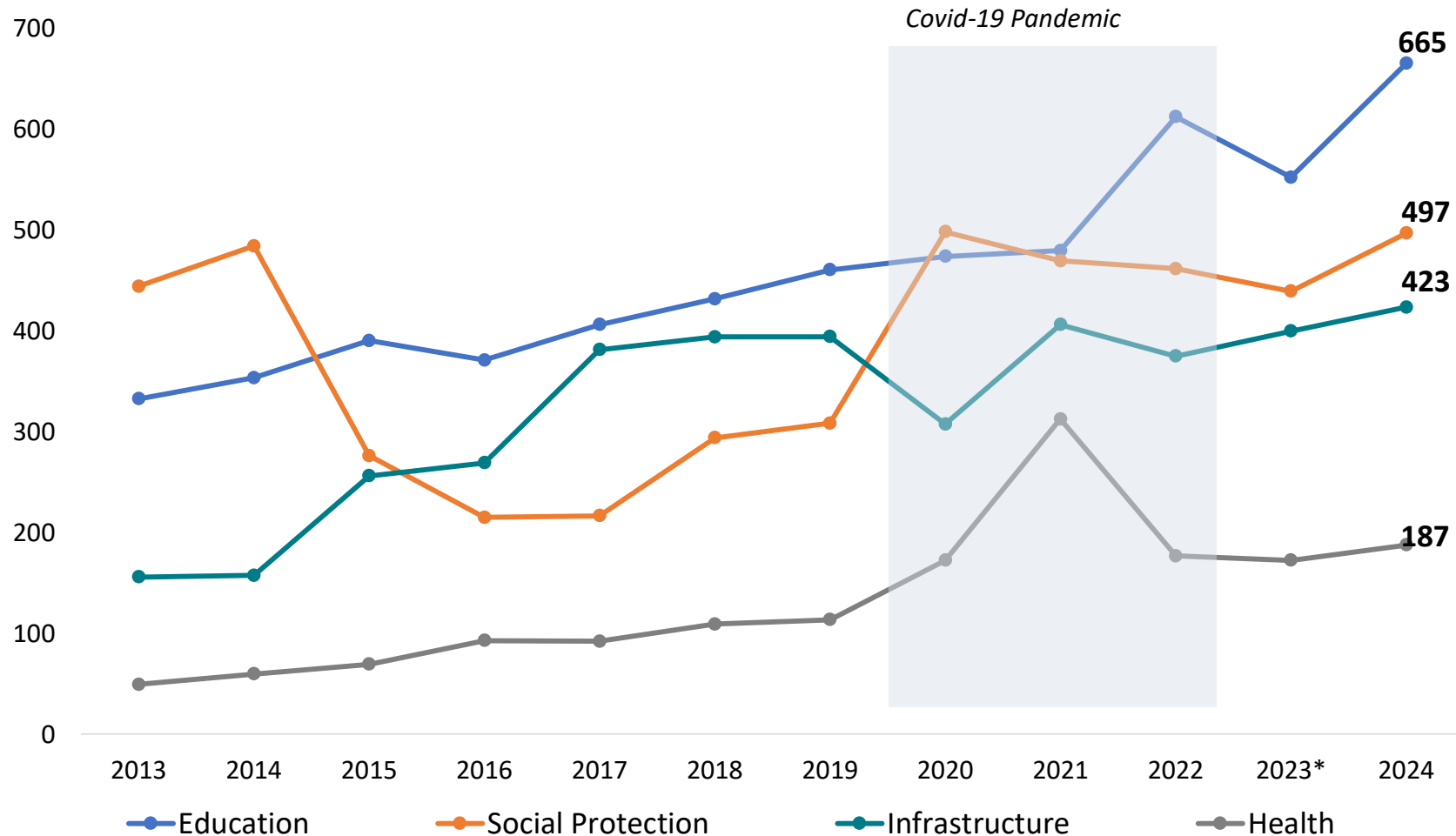


- Infrastructure Development of the New Capital City, including Hospitals, Roads, and Airports.
- Employee Relocation Phases.
- Operationalization of the New Capital Authority.

# Growth-Enhancing Spending is Sustained

Budget allocation for prioritized sectors on the upward trend

## Budget Development on Priority Program



% to total budget  
(avg 2013-2024)

**Δ 2013-2024**

**Education**  
20%

**↑ 100.3%**

Set a mandatory spending 20% in 2003 to improve education system

**Social Protection**  
14%

**↑ 11.3%**

promoting more effective and efficient social protection and subsidy distribution

**Infrastructure**  
14%

**↑ 171.1%**

Accelerating the implementation of basic infrastructure projects

**Health**  
5%

**↑ 281.6%**

Supporting health system reforms

Source: Ministry of Finance

\* Outlook 2023



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**THANK YOU**