



MINISTRY OF FINANCE
REPUBLIC OF INDONESIA

Recent Macroeconomic and Fiscal Development

Jakarta, February 2024

Kemenkeu Terpercaya



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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



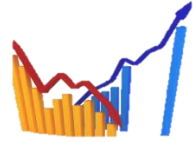
Prolonged tighter global liquidity



Deteriorated fiscal position



Squeezed critical spending & investment



Increase financial market volatility in EMs



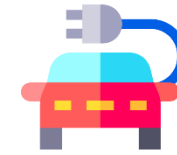
CLIMATE CHANGE

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

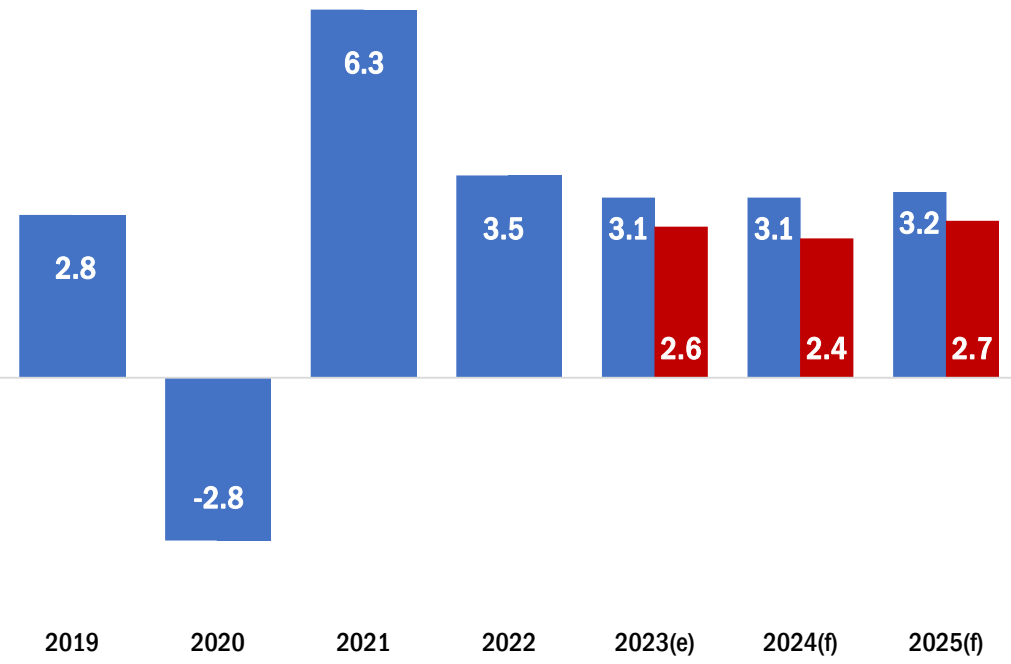


Future of Work

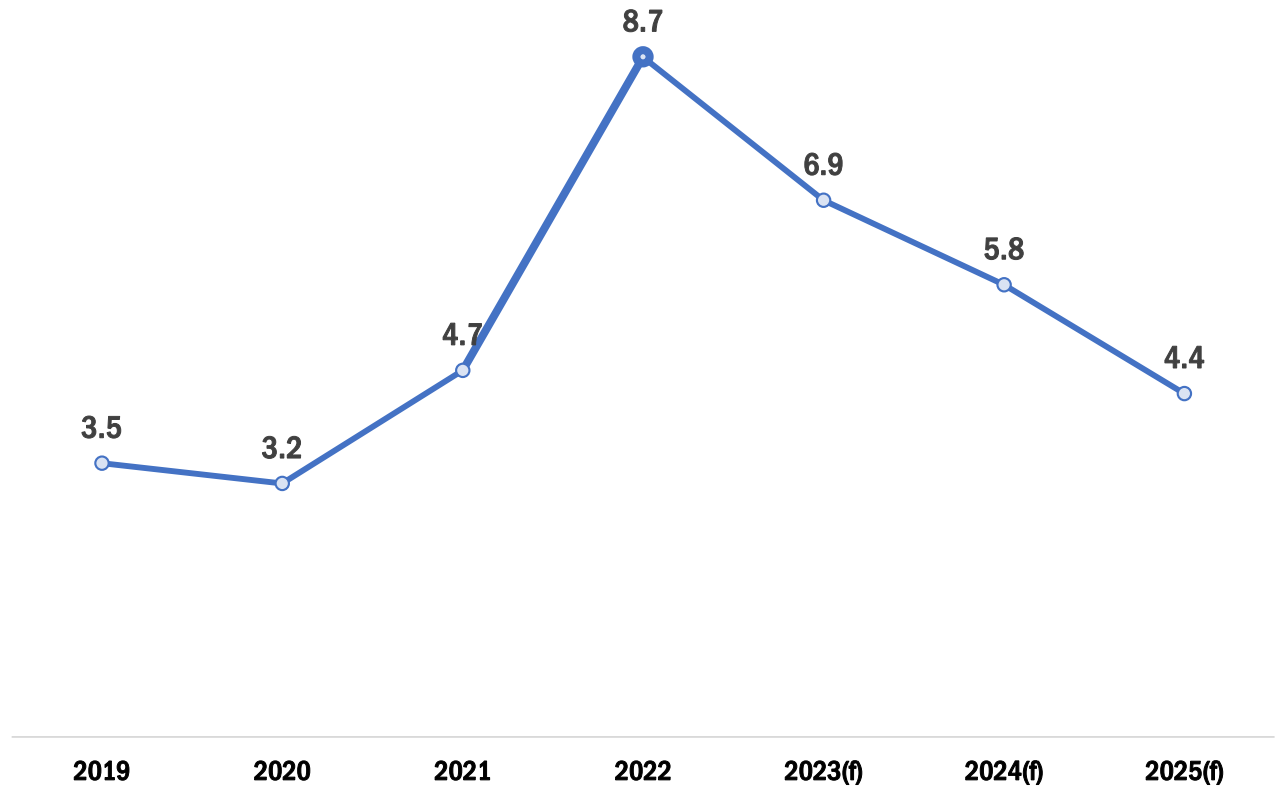
Global Growth Outlook is Projected to Weaken

Global GDP Growth, % yoy

■ IMF Jan '24 ■ WB Jan '24



Global Inflation (% yoy)



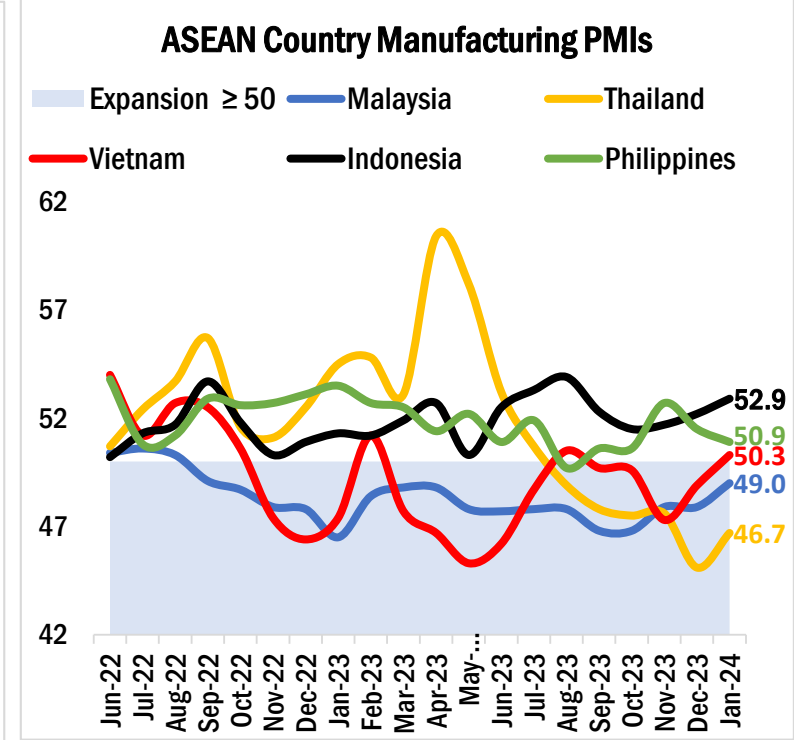
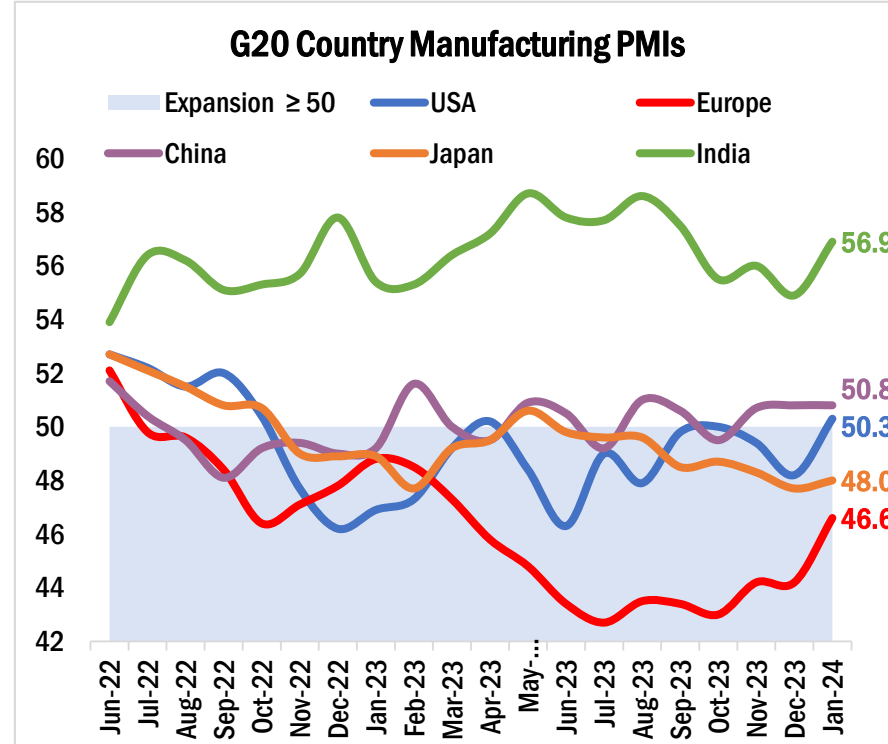
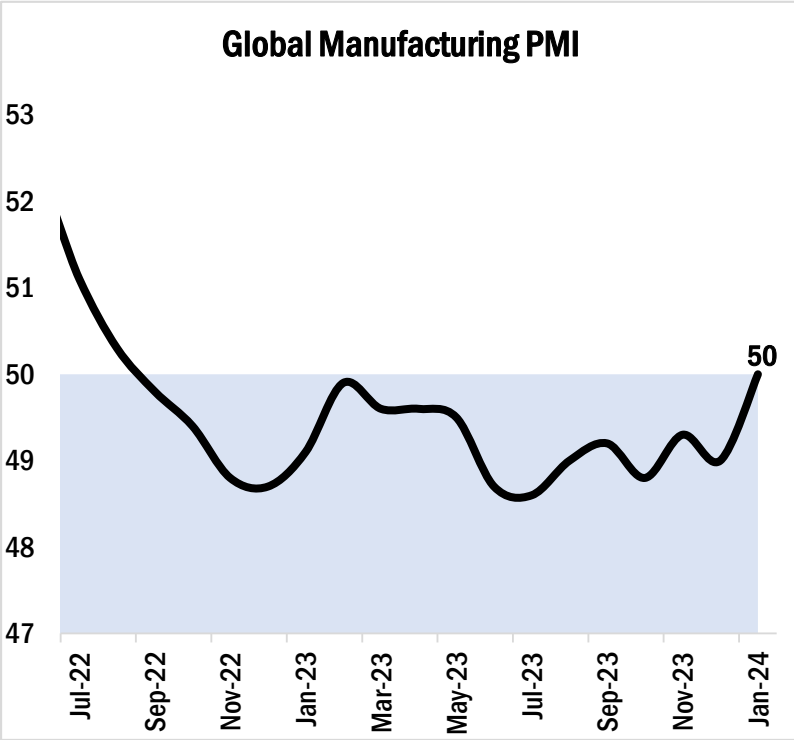
Risks remain tilted to the downside

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

Source: IMF, World Bank @Q24

Global Manufacturing Continued In The Contraction Zone

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



January 2023 Manufacturing PMI distribution of G20 and ASEAN-6 Countries

(minus ZAF, ARG)

■ Contraction ■ Recovered ■ Expansion

50.0%

Europe, Germany, French, Italy, UK, Japan, Thailand, Malaysia, Turkey, Canada, South Africa

22.7%

USA, South Korea, Vietnam, Australia, Brazil

27.3%

Indonesia, Philippines, India, China, Mexico, Russia

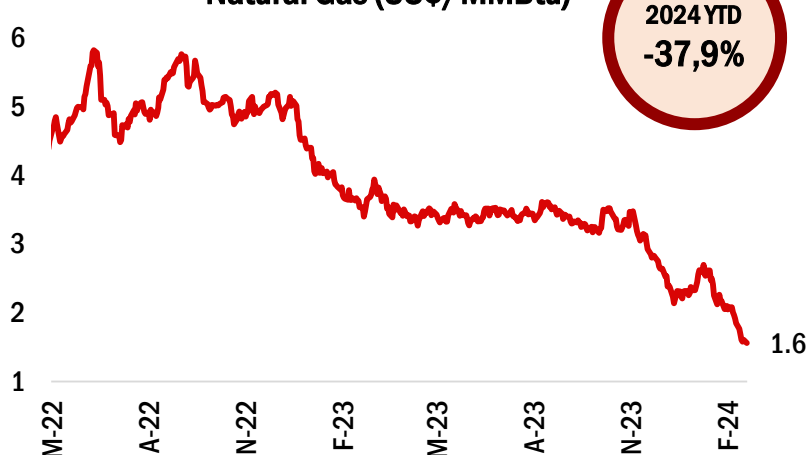
Geopolitical Risks & Weather Factors Causing Fluctuations in Commodity Prices

ENERGY COMMODITY PRICES

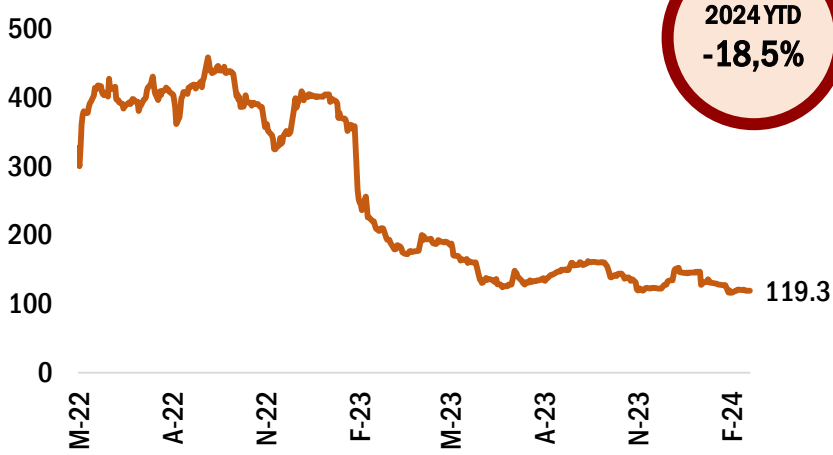
Brent (US\$/barrel)



Natural Gas (US\$/MMBtu)



Coal (US\$/Metric Ton)



AGRICULTURE COMMODITY PRICES

CPO (US\$/Ton)



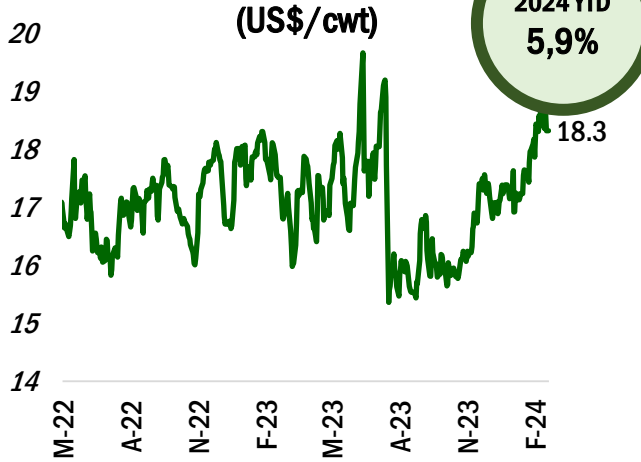
Wheat (US\$/Bushels)



Soybean (US\$/bu.)



Rice (US\$/cwt)

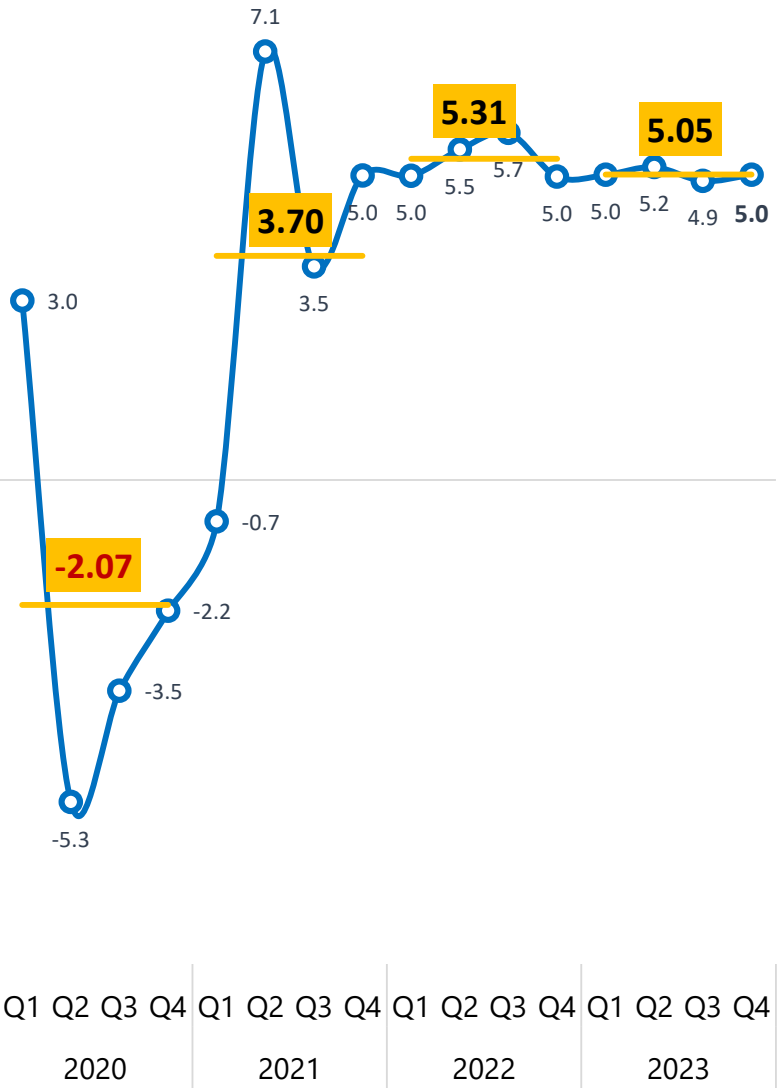


Source: Bloomberg, data as of 19 February 2024

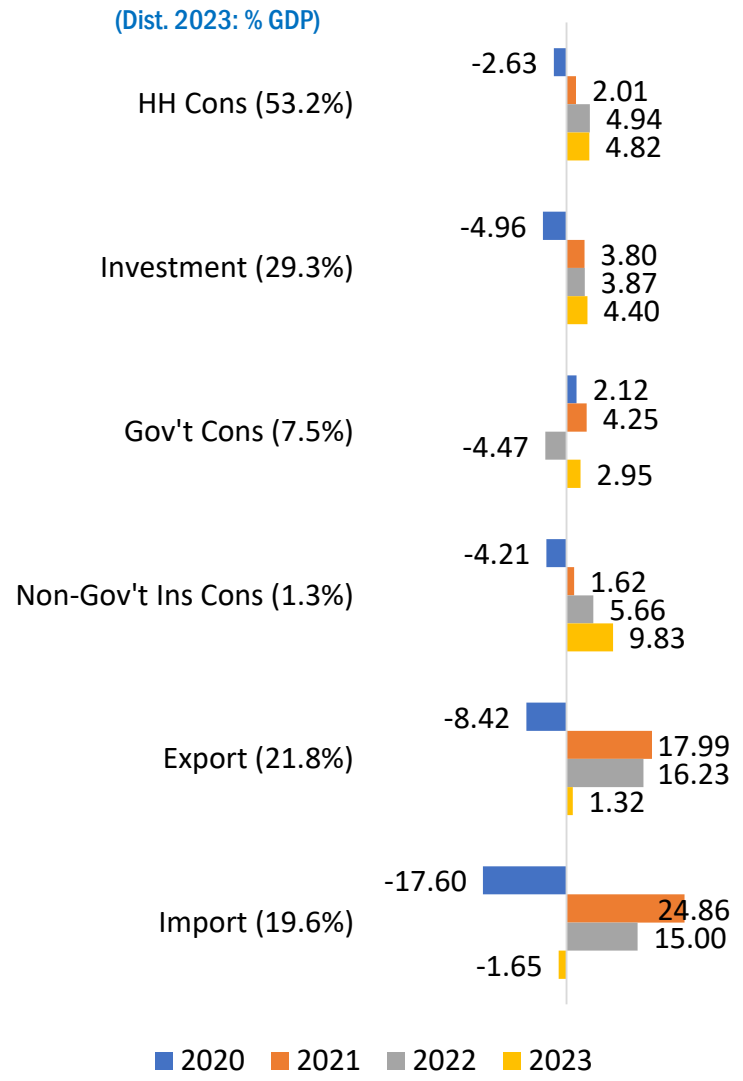
In the Midst of Global Weakness, Indonesia's Economy Grows Relatively Strong at 5.05% in 2023

Driven Dominantly by Household Consumption Growing at 4.82% on the expenditure side and the Manufacturing Sector Expanding by 4.64% on the production side

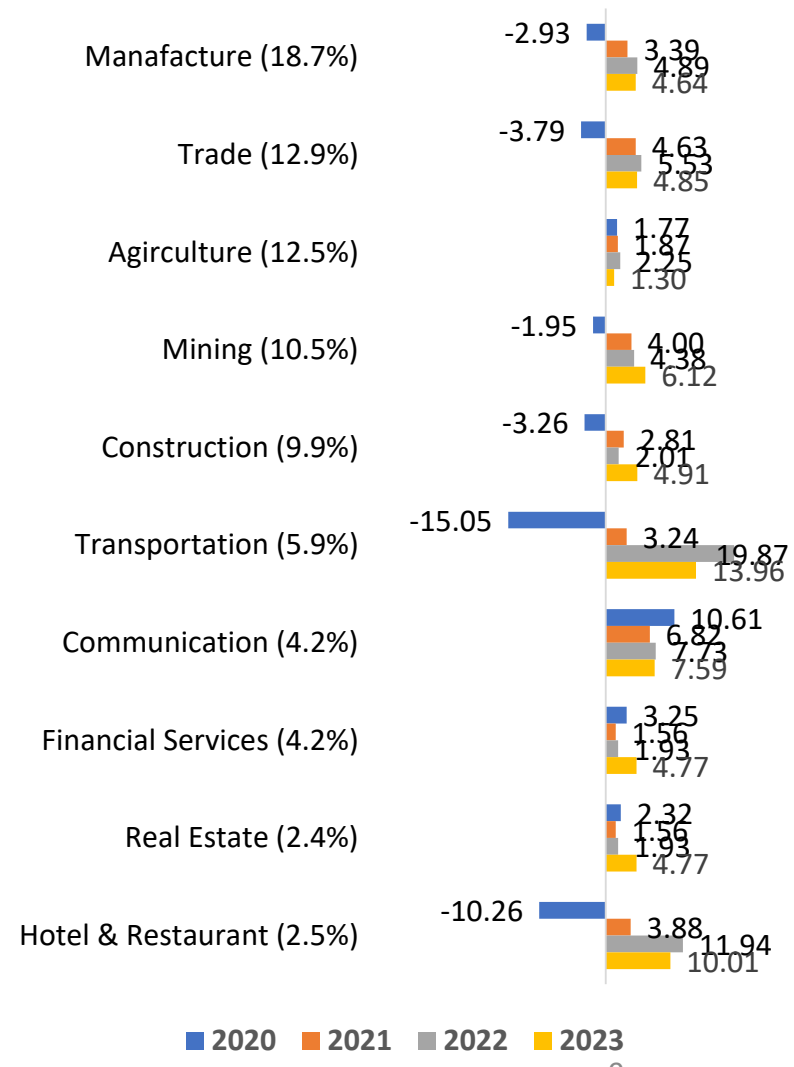
Yearly GDP Growth (% YoY)



GDP Growth: Expenditure (% YoY)

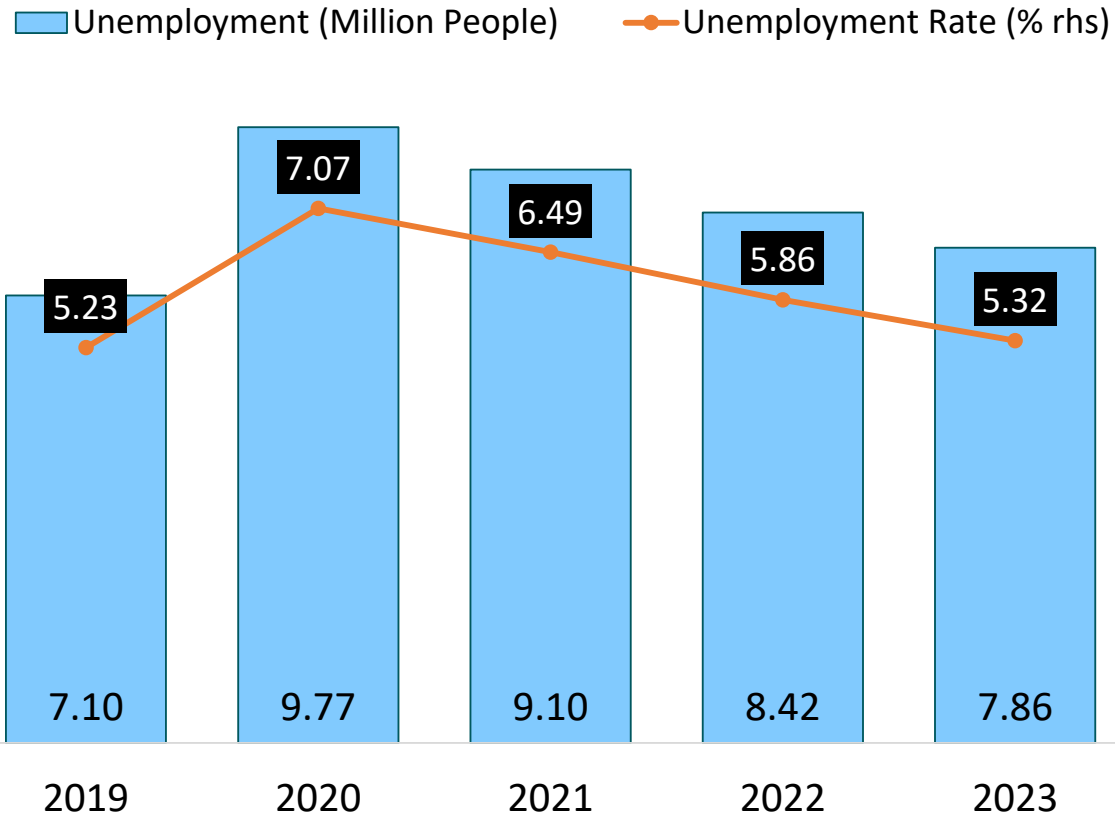


GDP Growth: Production (% YoY)

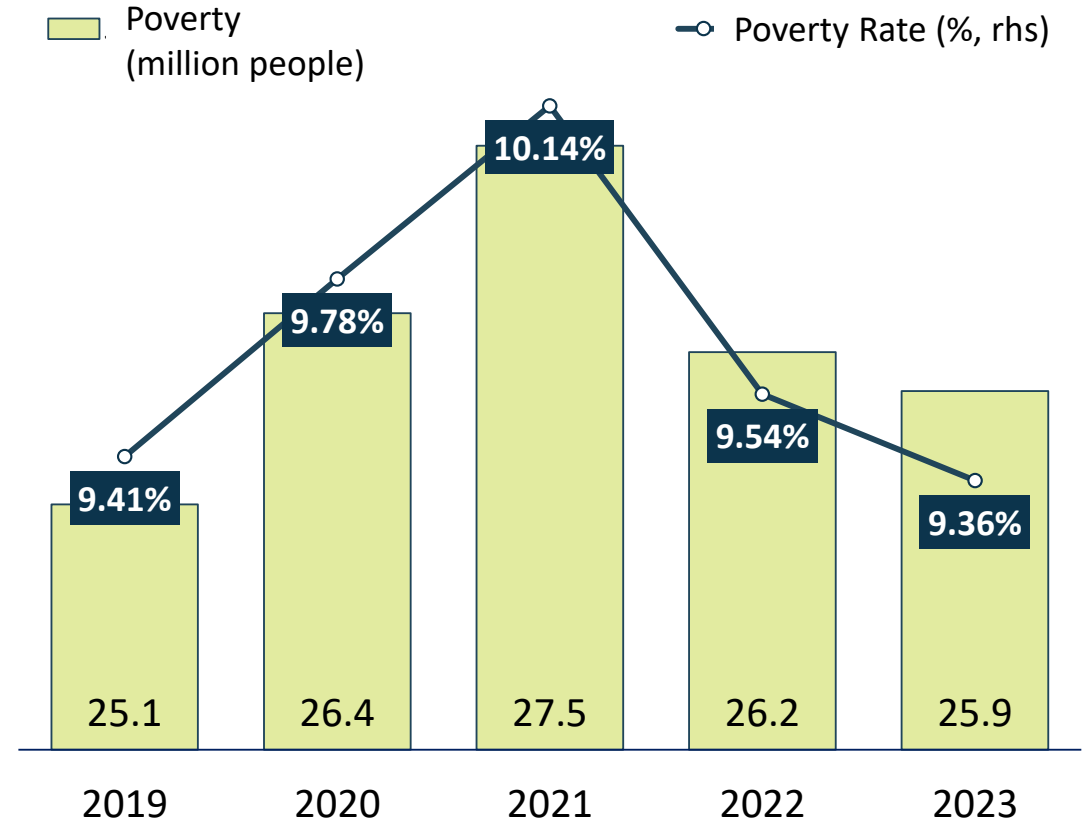


Unemployment And Poverty Rate Declined With Robust Economic Growth

Unemployment Rate



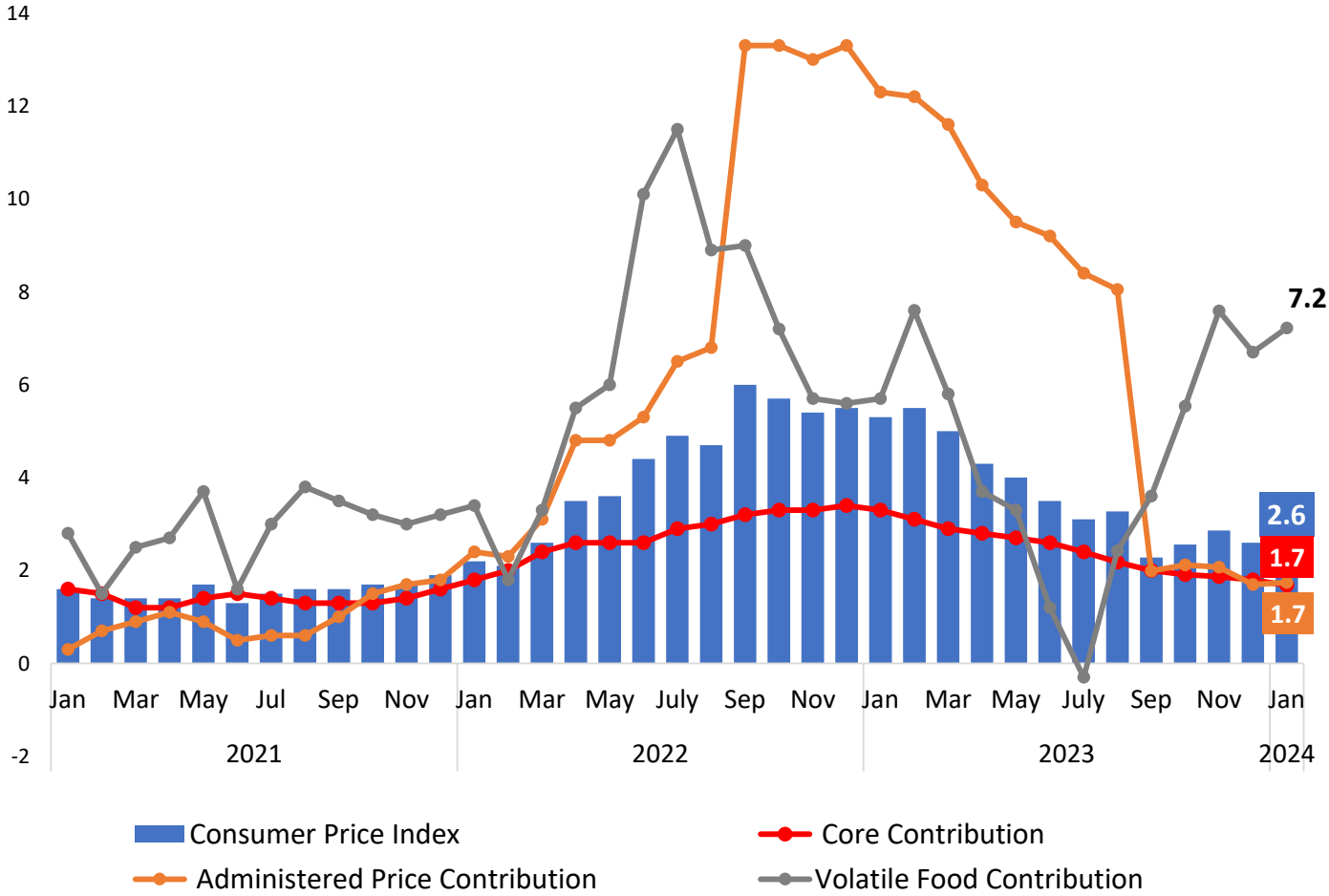
Poverty Rate



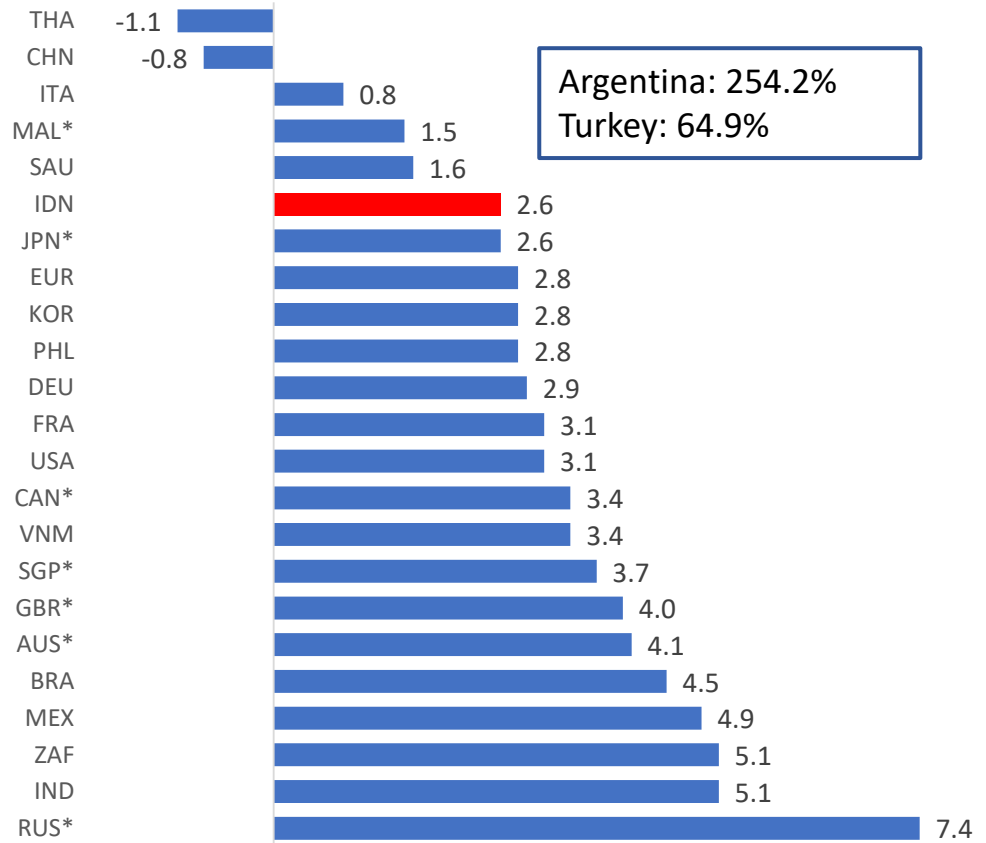
Inflation Remained Modest And Within Government Target

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

Inflation by Component (%)



Inflation by Countries (January, % eop, yoy)

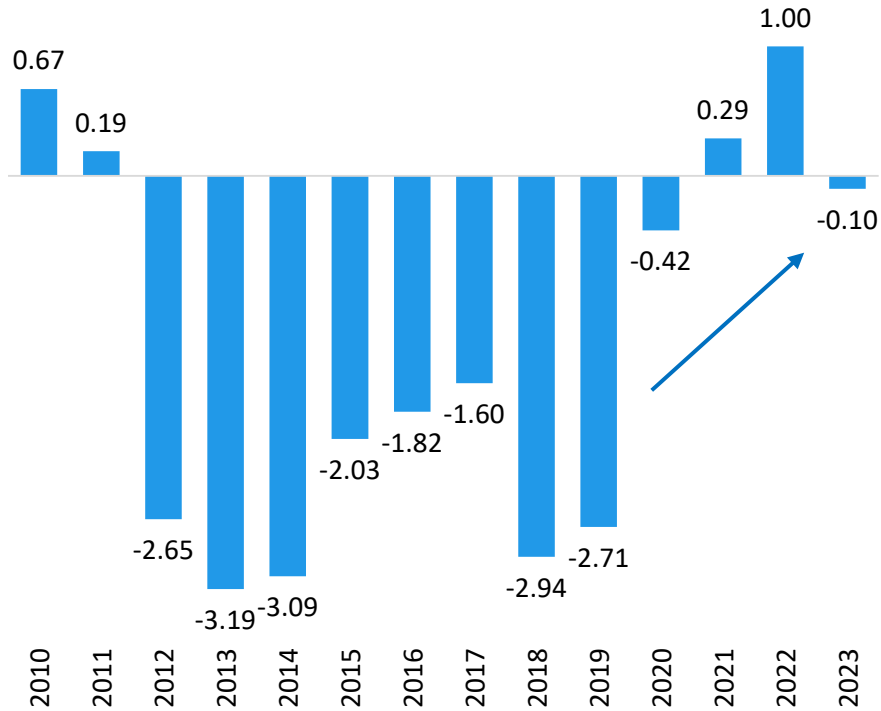


* Inflation at December 2023

EXTERNAL POSITION REMAINED STRONG

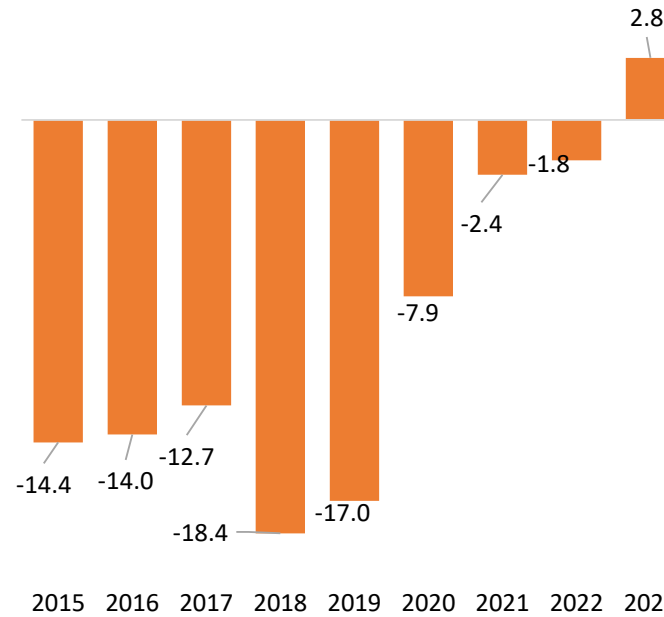
The Current Account continues to exhibit strength and is anticipated to remain balanced in 2023, notwithstanding the weakened global demand

Current Account Balance (% of GDP)

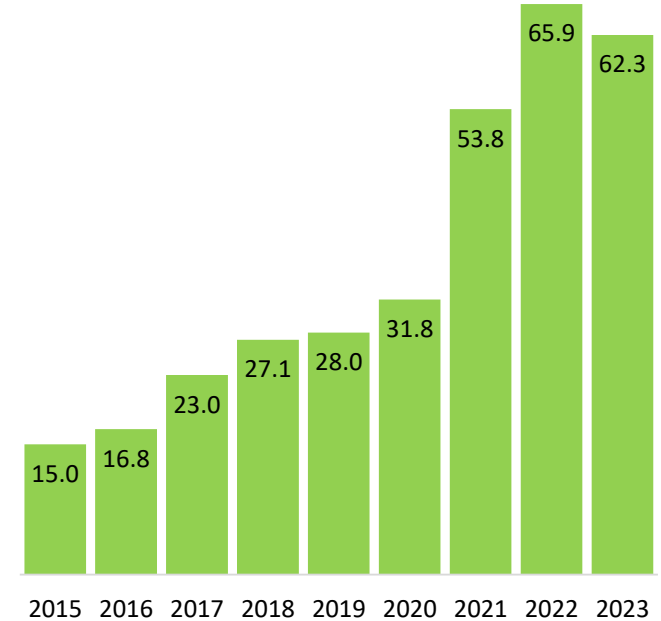


Indonesia's Trade with China (Billion USD)

Trade Balance 2015-2023 (USD bn)



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



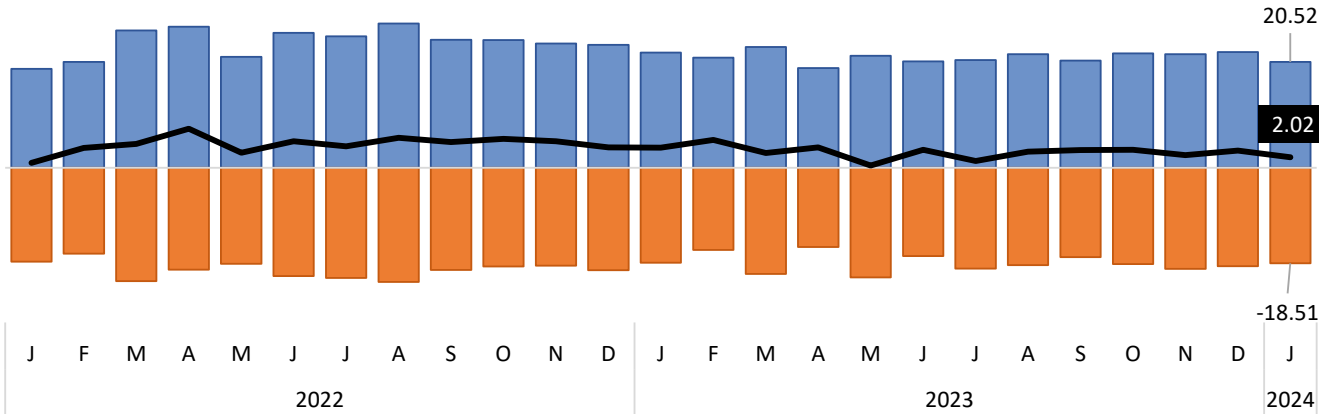
- Indonesia has recorded current account surplus since 2021, driven by a strong export performance on account of down-streaming strategy
- While exports to other regions was in contraction in 2023 due to weaker global demand, exports to China remained in expansion, driven mainly by nickel related products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

Trade Balance In January 2024 Continues Surplus Trend

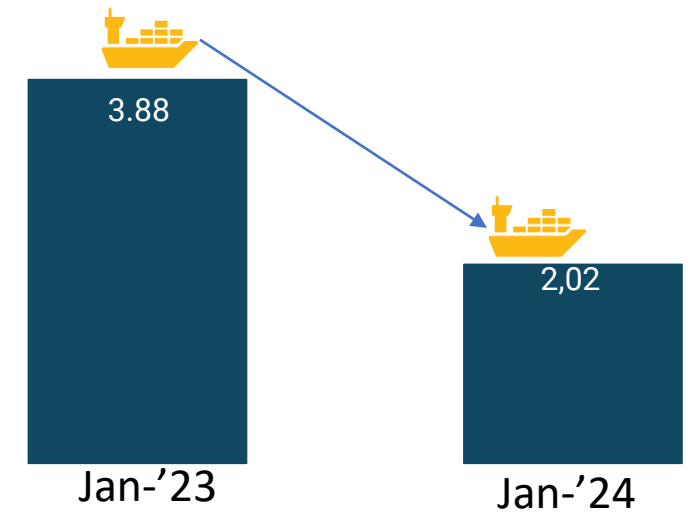
Exports experienced a decline amid an increase in imports, causing the trade surplus (45th) to narrow

Indonesia's Trade Balance (US\$ Miliar)

Export Import Trade Balance

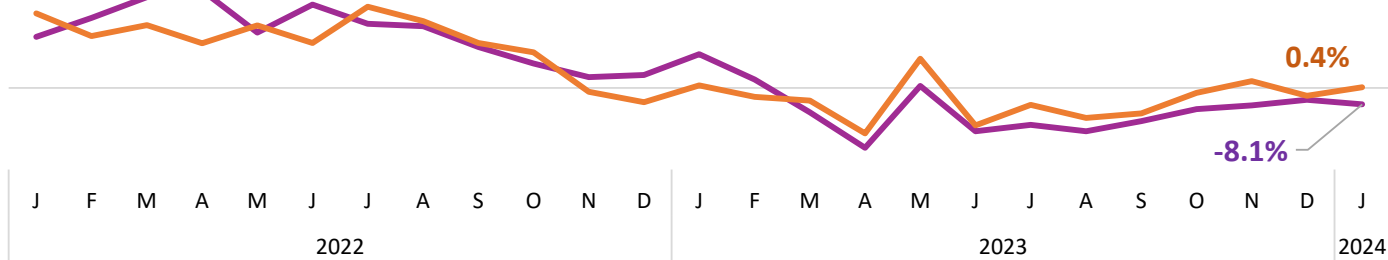


Trade Balance (Billion US\$)



Indonesia's Export and Import (% yoy)

Export Import



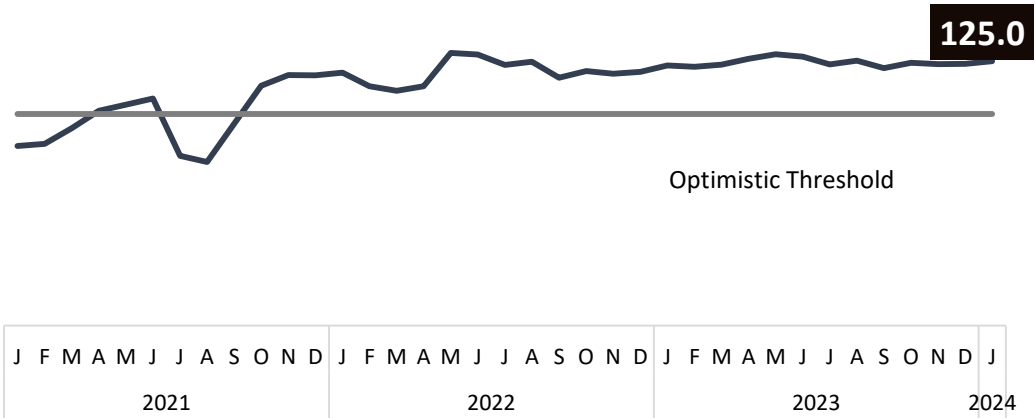
- In January 2024, the value of exports was recorded at USD 20.52 billion (contracting by 8.1%, YoY), while imports reached USD 18.51 billion (growing by 0.4%, YoY).
- The trade balance still registered a surplus, albeit decreasing.

Short-Term Prospect Remains Relatively Strong

Both consumption and production sectors demonstrated rebound trajectories

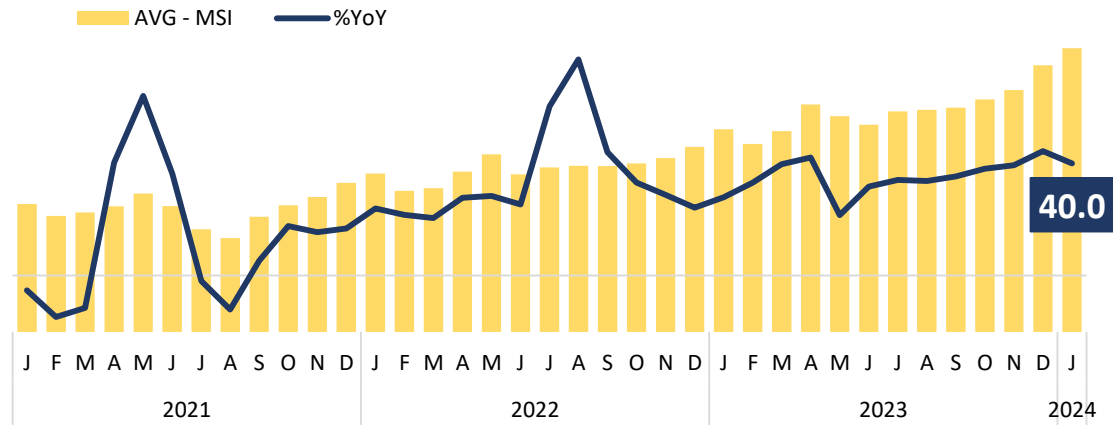
Consumption Indicator – Consumer Confidence Index

The Consumers optimism are quite high.



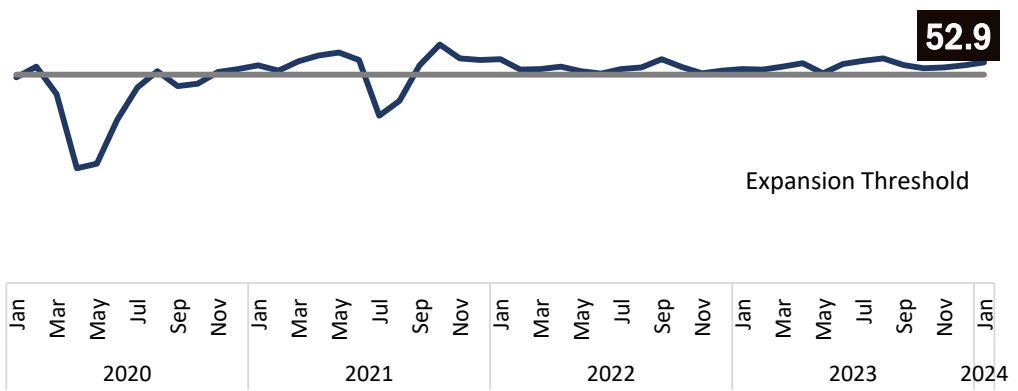
Consumption Indicator – Mandiri Spending Index

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



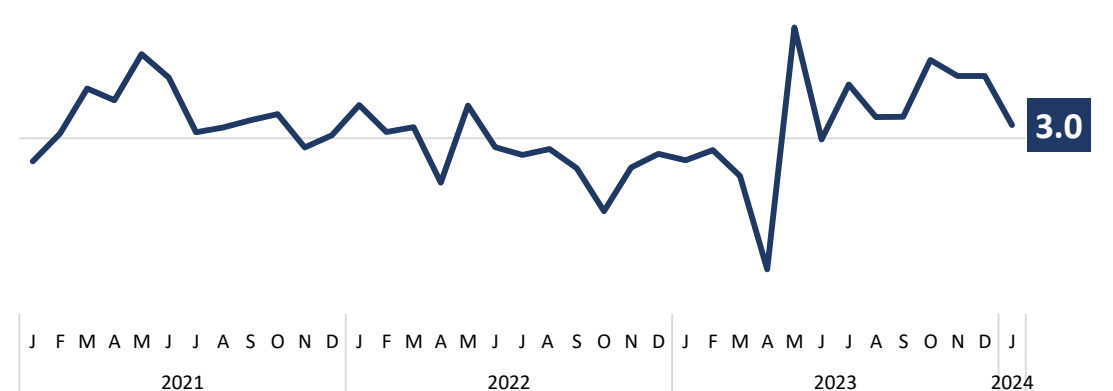
Production Indicator – PMI Manufacturing

Indonesia's PMI continues the expansion



Production Indicator – Cement Consumption

Cement consumption is growing positively.



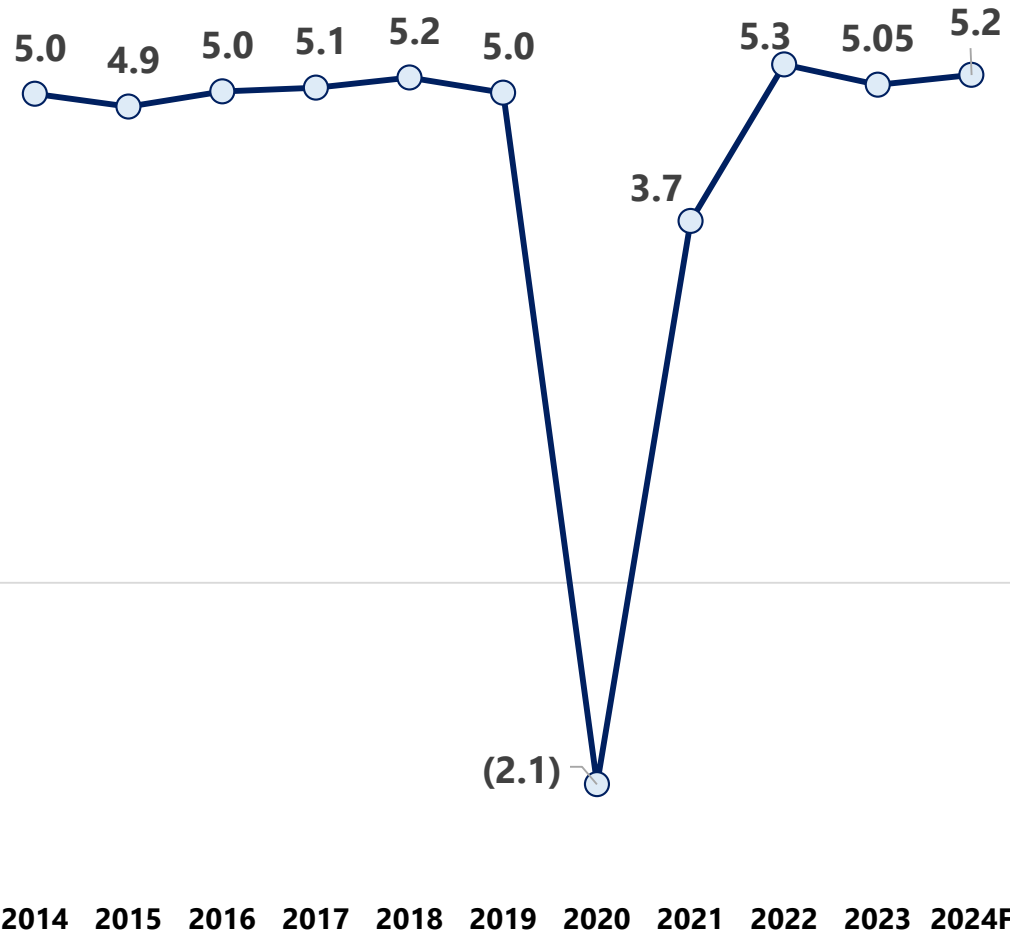
Source: Bank Indonesia, Statistics Indonesia, IHS Markit, Bank Mandiri, Indonesian Cement Association

THE ECONOMY GROWTH 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 Jan '24)

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 2024 is projected to be 5.2% (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)



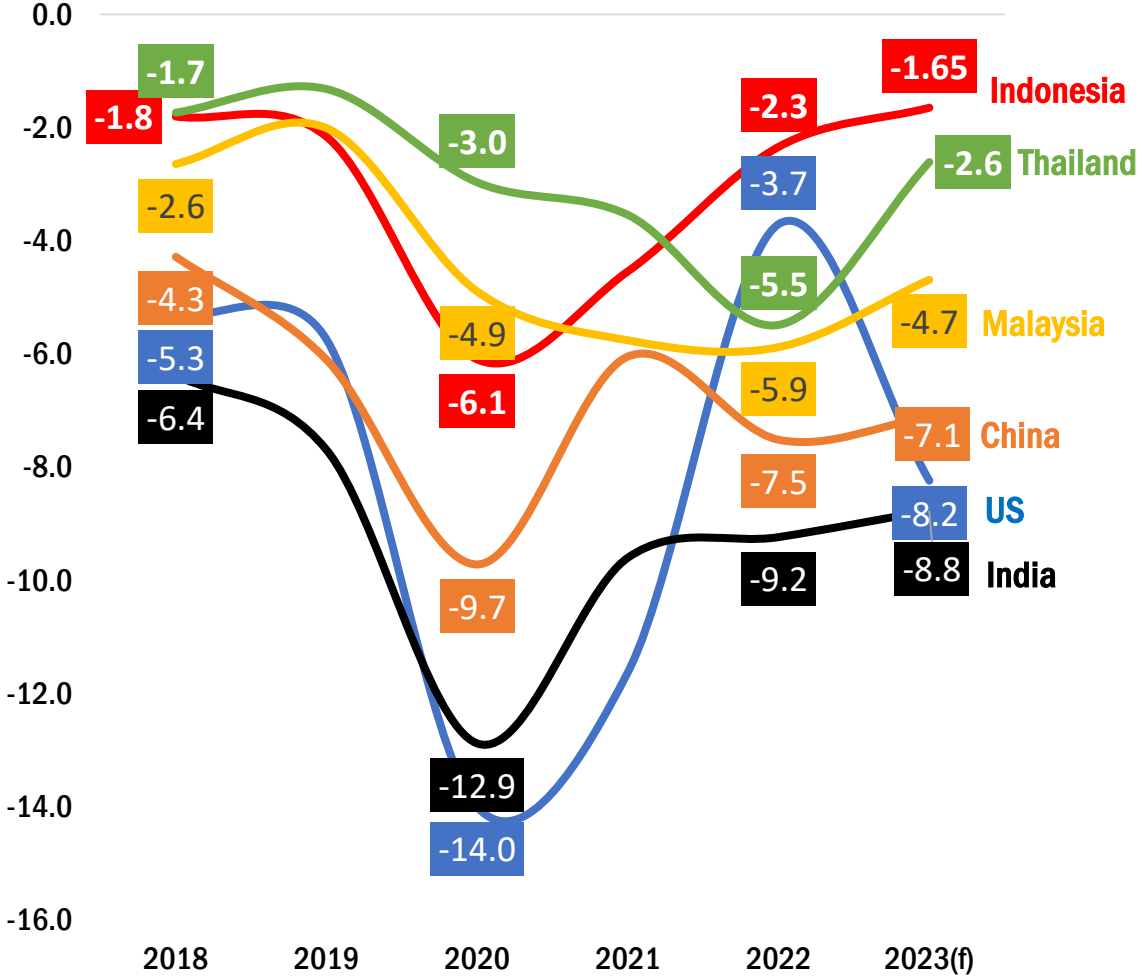
02

FISCAL UPDATES

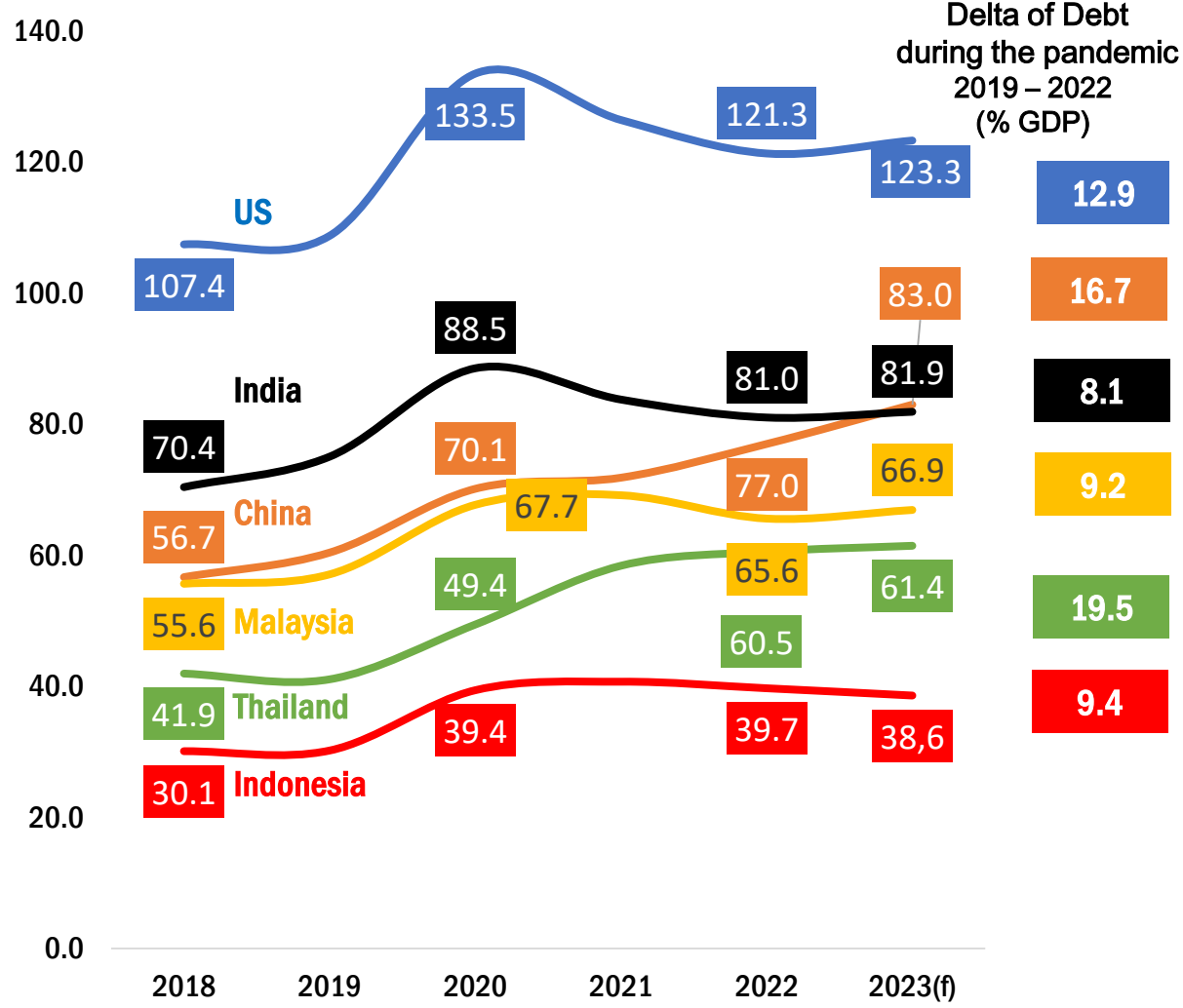
Indonesia is Among Few Countries With Improving Fiscal Position

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 ¹ (%)	Budget	Growth to Budget 2022 (%)	Prelim. Real.	Growth to Budget 2022 (%)	% to 2023 Budget	% to Pres Reg. 75/2023 Budget
Revenue	2,635.8	31.0	2,463.6	(6.5)	2,774.3	5.3	112.6	105.2
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
Expenditure	3,096.3	11.1	3,061.2	(1.1)	3,121.9	0.8	102.0	100.2
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
Primary Balance	(74.1)	(82.8)	(156.8)	111.6	92.2	(224.4)	(58.8)	(239.4)
Surplus (Deficit)	(460.4)	(40.6)	(598.2)	29.9	(347.6)	(24.5)	58.1	72.4
<i>% to GDP</i>	<i>(2.35)</i>		<i>(2.84)</i>		<i>(1.65)</i>			
Financing	591.0	(32.2)	598.2	1.2	359.5	(39.2)	60.1	74.9

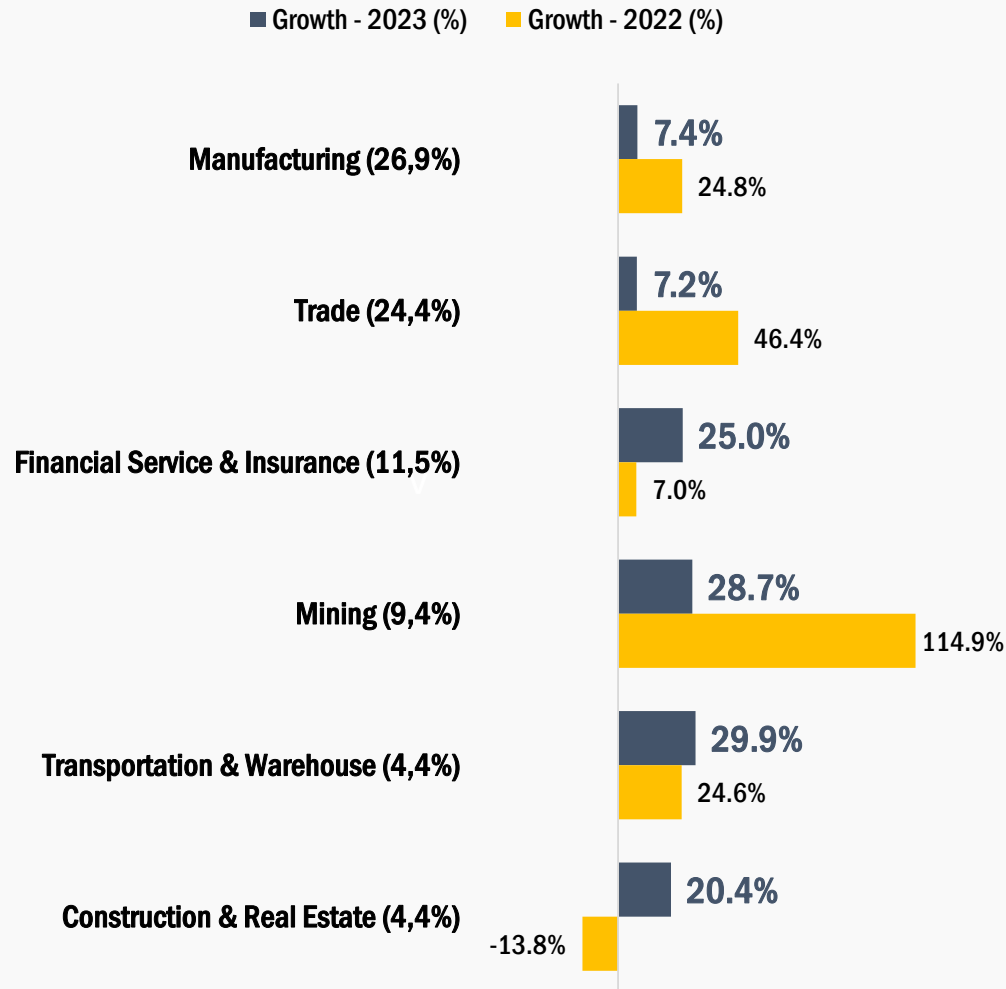
Source: Ministry of Finance

Note: 1. % Growth of 2021 Budget Realization

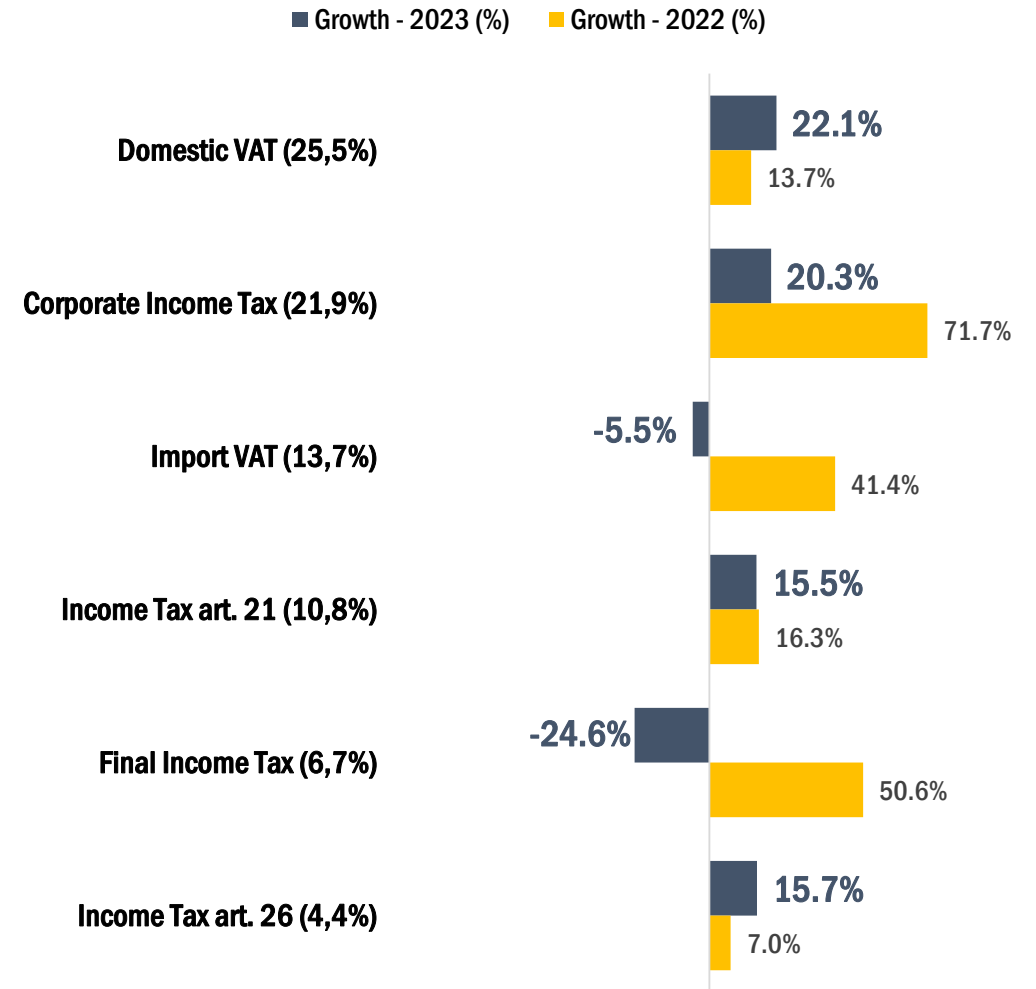
Sectoral Wise, Tax Collection Also Remain Strong Despite High Base Effect

Strong domestic demand has led robust tax collection

Cumulative Growth in Main Sector Tax Revenue (YoY)



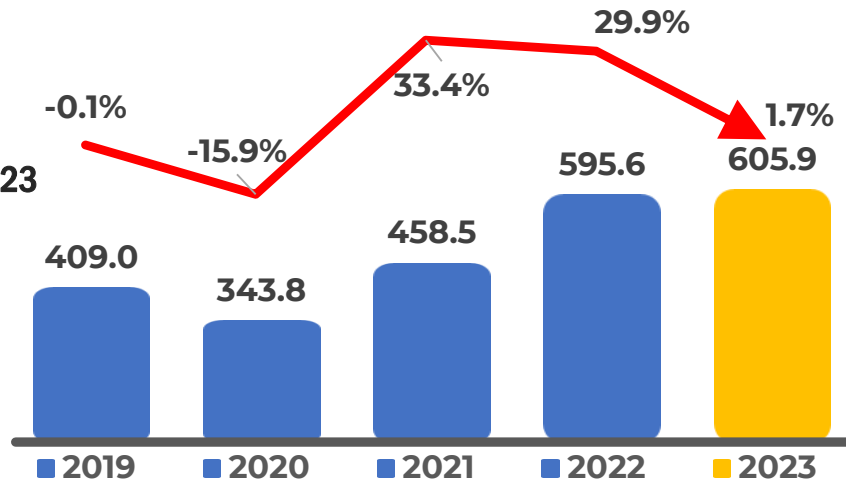
Cumulative Growth in Types of Tax Revenue (YoY)



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)



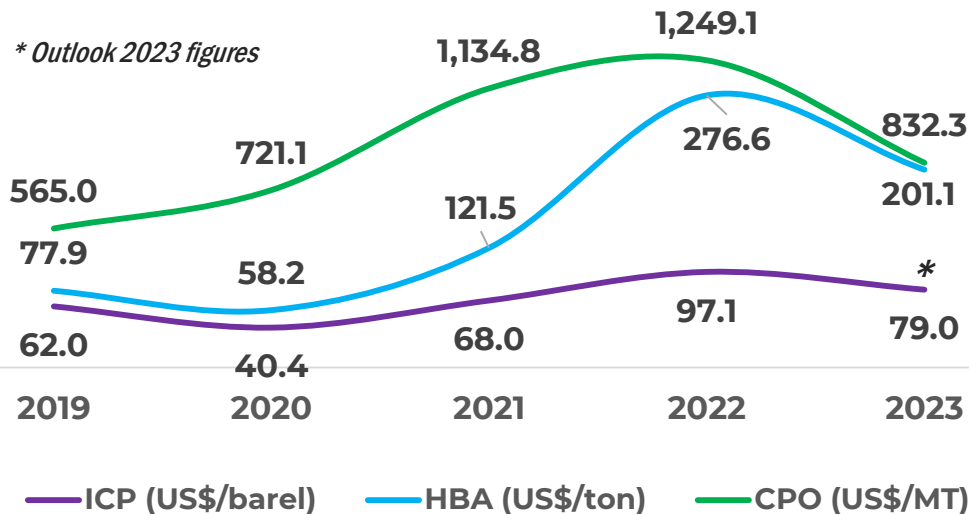
Source: Ministry of Finance



*preliminary realization 2023

Average Commodity Prices 2019-2023

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



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

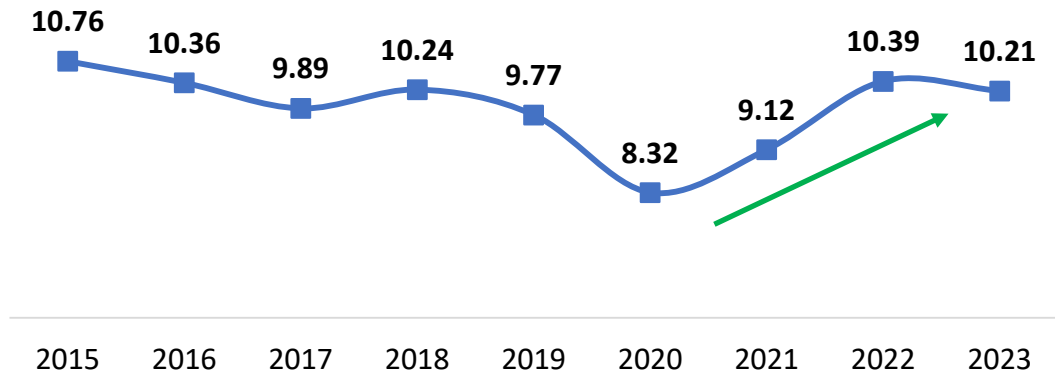
Non Tax Revenue's performance is partly supported by an increase in coal royalty rates

Non Tax revenue from K/L services also increased.

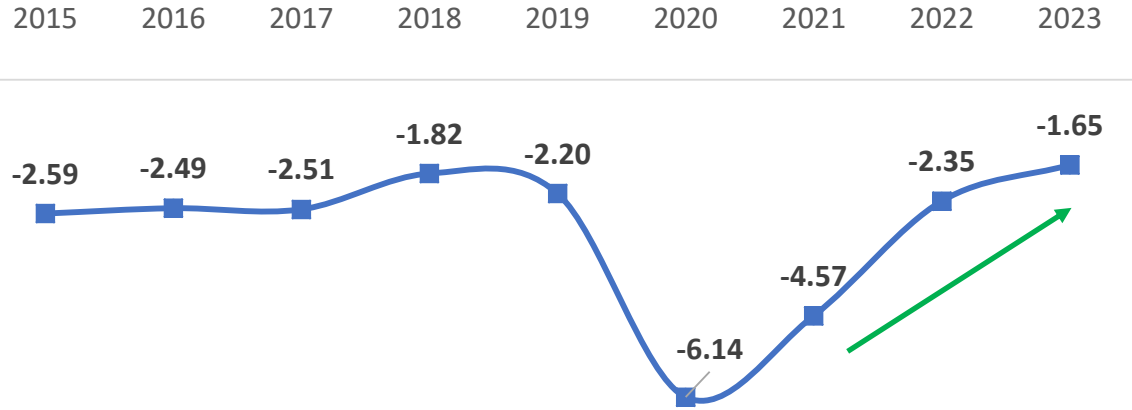
Overall Fiscal Position Continued To Improve

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

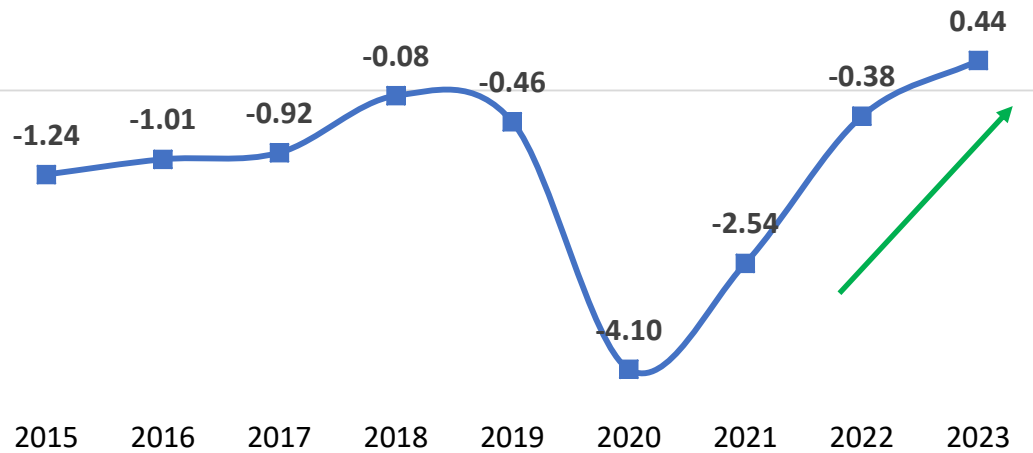
Tax ratio increases in line with stronger recovery (% GDP)



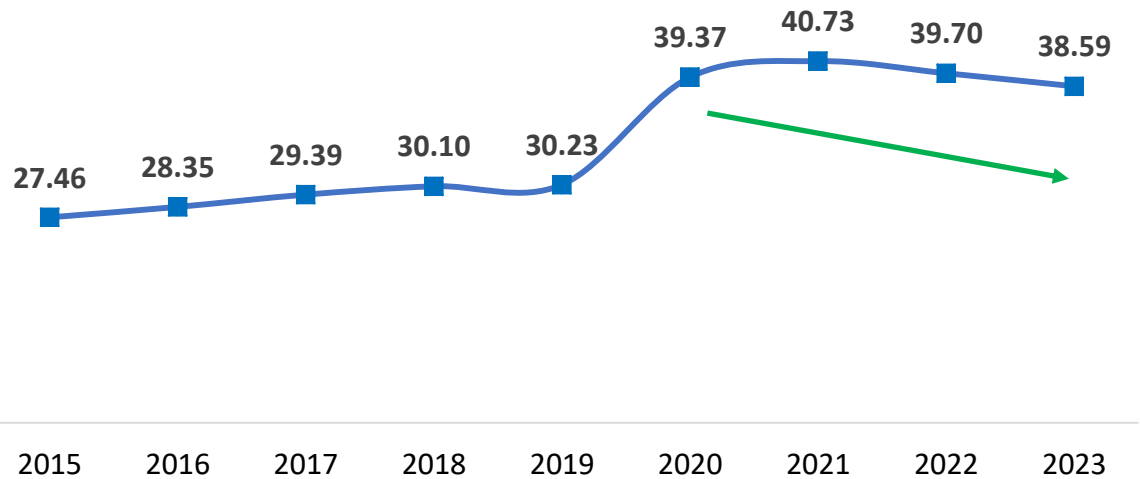
Overall budget position improved significantly (% GDP)



Primary Balance 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	
Revenue	2,635,8	2,774.3	2,802.3	1.0
Tax Revenue	2,034.6	2,155.4	2,309.9	6.7
Non Tax Revenue	595.6	605.9	492.0	(23.2)
Expenditure	3,096.3	3,121.9	3,325.1	6.1
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
Primary Balance	(74.1)	92.2	(25.5)	461.6
Surplus (Deficit)	(460.4)	(347.6)	(522.8)	33.5
<i>% to GDP</i>	<i>(2.35)</i>	<i>(1.65)</i>	<i>(2.29)</i>	
Financing	591.0	359.5	522.8	45.4

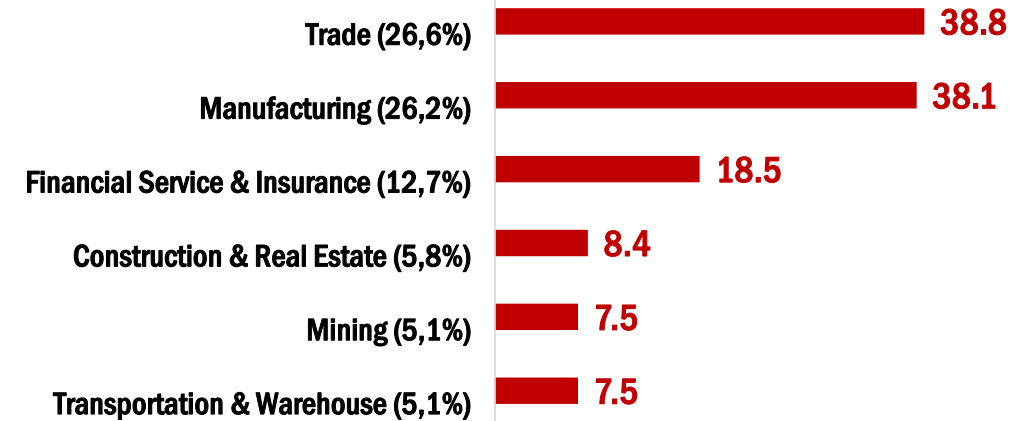
MACROECONOMIC ASSUMPTIONS FOR THE 2024 BUDGET

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

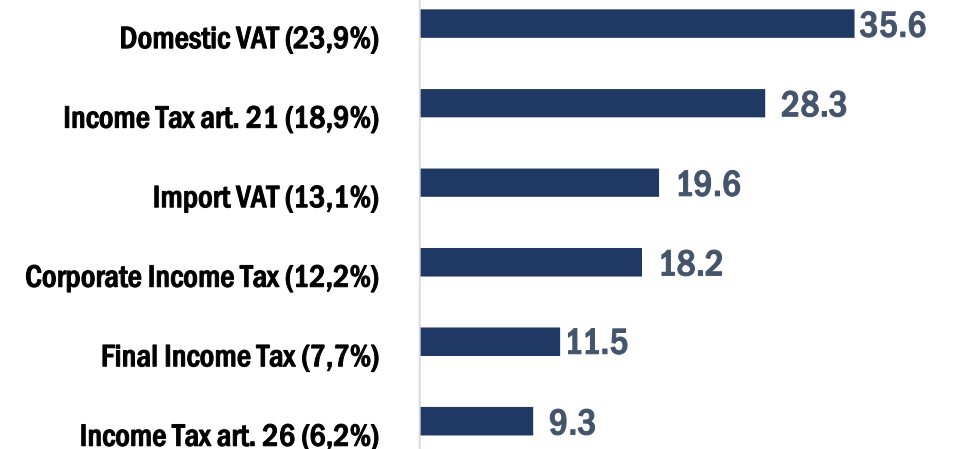
JANUARY 2024 BUDGET PERFORMANCE

Account (IDR Tn)	2023		2024		
	Real. as of 31 st Jan	% of Budget	Budget	Real. as of 31 st Jan	% of Budget
Revenue	232.2	9.4	2,802.3	215.5	7.7
Tax Revenue	186.4	9.2	2,309.9	172.2	7.5
1. Tax	162.3	9.4	1,988.9	149.2	7.5
2. Custom & Excise	24.1	8.0	321.0	22.9	7.1
Non Tax Revenue	45.7	10.4	492.0	43.3	8.8
Expenditure	141.4	4.6	3,325.1	184.2	5.5
Central Government Expenditure	83.2	3.7	2,467.5	96.4	3.9
1. Line Ministries Spending	28.7	2.9	1,090.8	44.8	4.1
2. Non- Line Ministries Spending	54.5	4.4	1,376.7	51.6	3.8
Transfer to Region	58.2	7.1	857.6	87.8	10.2
Primary Balance	113.9	(72.7)	(25.5)	61.4	(240.8)
Surplus (Deficit)	90.7	(15.2)	(522.8)	31.3	(6.0)
<i>% to GDP</i>	<i>0.43</i>		<i>(2.29)</i>	<i>0.14</i>	
Financing	96.7	(16.2)	522.8	106.4	20.4

Tax Revenue Realization in Main Sector (IDR tn)



Tax Revenue Realization in Types of Tax Revenue (IDR tn)



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

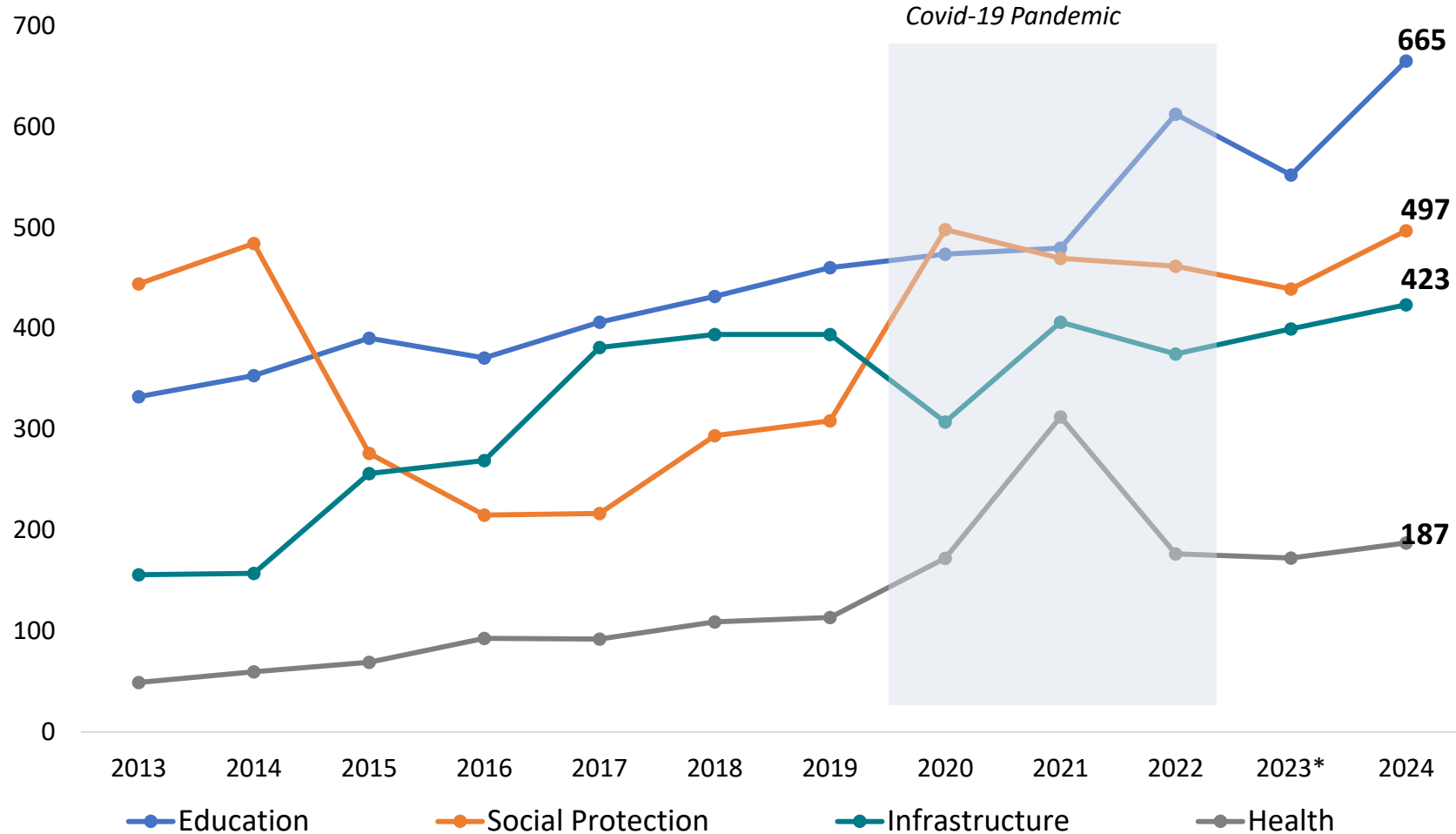


- Infrastructure Development of the New Capital City, including Hospitals, Roads, and Airports.
- Employee Relocation Phases.
- Operationalization of the New Capital Authority.

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



MINISTRY OF FINANCE
REPUBLIC OF INDONESIA

THANK YOU