



MINISTRY OF FINANCE
REPUBLIC OF INDONESIA

RECENT MACROECONOMIC AND FISCAL DEVELOPMENT

Republic of Indonesia
September 2024



MINISTRY OF FINANCE
REPUBLIC OF INDONESIA

01

MACROECONOMICS UPDATES

02

FISCAL UPDATES



MINISTRY OF FINANCE
REPUBLIC OF INDONESIA

01

MACROECONOMICS UPDATES



FOLLOWING US RATE CUTS, GLOBAL ECONOMIC UNCERTAINTY PERSIST

UNITED STATES

The prospect for a soft landing is promising

- Q2 growth resilient (3.1% yoy)
- Lower inflation rate (2.5% Aug), but services inflation remains high (4.2% Aug)
- Labour market is slowing down (4.2%)
- Potential FFR cut up to 100 bps by December 2024

EUROPE

Slow growth

- Q2 growth remains weak (0.6% yoy)
- Lower inflation rate (2.2% Aug), but services inflation remains high (4.2% Aug)
- ECB and BoE expected to continue rate cut by 25 bps per quarter

MIDDLE EAST & RUSSIA - UKRAINE

Geopolitical tension

INDIA

Strong economic growth (6.7% yoy).

CHINA

Economic challenges continued

- Q2 growth was below market expectation (4.7% yoy)
- Weakening domestic consumption (inflation rate: 0.6%)
- Property sector crisis.
- Increasing amid enhanced trade sanctions from the US and EU

ASEAN

Resilient growth

- Resilient Q2 growth.
VNM: 6.9%; PHL: 6.3%;
MYS: 5.9%
- Moderate inflation rate
- Monetary Authorities still maintain the benchmark interest rate (except PHL)

Potential Impact to Indonesia:

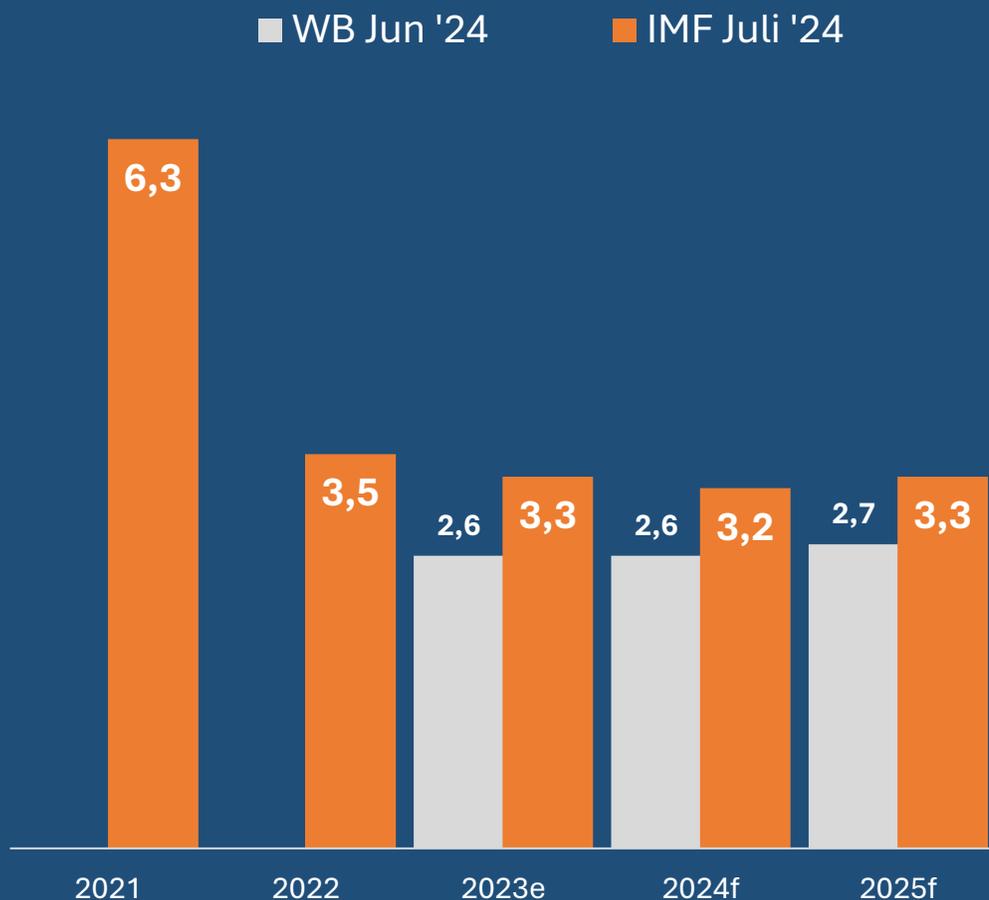
- Weakening export and trade performance
- Commodity prices volatility
- Manufacturing sector challenges
- Financial market volatility
- Weakening appetite of global investment



STAGNANT GLOBAL GROWTH OUTLOOK

Cautious on China's economic development in the second quarter and the latest U.S. economic and labor data

Global Economic Growth Projections, % yoy



Sources: WEO IMF April 2024, WB GEP Jun 2024 processed

Economic Growth Projections of Several Countries (% yoy)

Country	2022	2023	2024f	2025f
World	3,5	3,3	3,2	3,3
United States	1,9	2,5	2,6	1,9
Euro Area	3,4	0,5	0,9	1,5
China	3,0	5,2	5,0	4,5
Indonesia	5,3	5,0	5,0	5,1
India	7,0	8,2	7,0	6,5
ASEAN-5	5,5	4,1	4,5	4,6

Global Inflation Projection

2024
5.9% (unchanged)

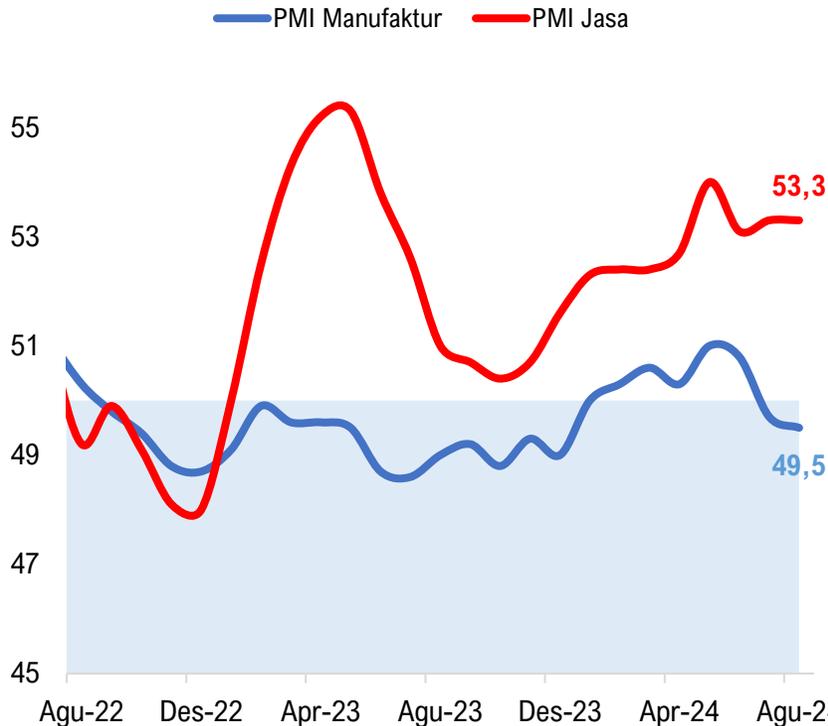
2025
4.4% (↓ 0.1 pp)



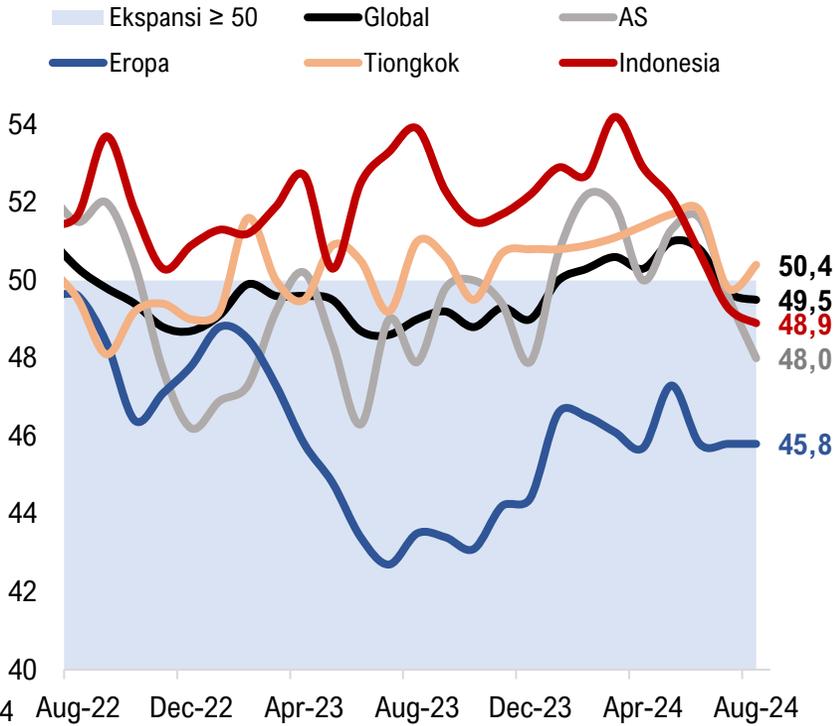
SERVICE SECTOR ARE RESILIENT, MANUFACTURING ACTIVITIES ARE WEAKENING

There is an indication of persistent challenges in global manufacturing sector and shifting global consumer spending patterns

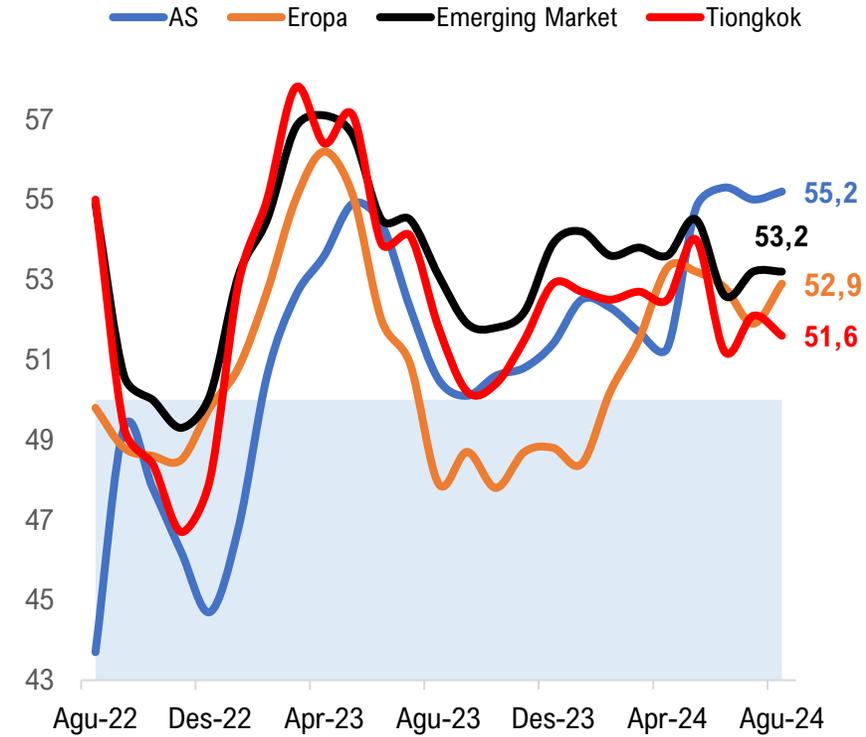
Global Manufacturing and Services PMI



Manufacturing PMI in Selected Countries



Services PMI in Selected Countries



Distribution of Manufacturing PMI in August 2024 for G20 and ASEAN-6 countries (minus Argentina)

54.2%

The US, Europe, Germany, France, Italy, Japan, Indonesia, Malaysia, Canada, Mexico, South Africa, Turkiye, Australia

45.8%

The UK, South Korea, China, India, Singapore, Philippines, Thailand, Viet Nam, Saudi Arabia, Brazil, Russia

contracting

expanding



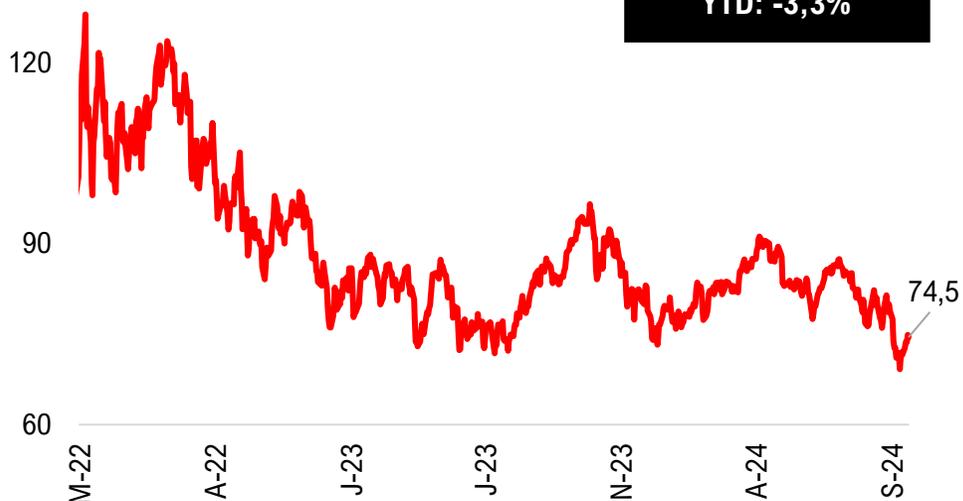
GLOBAL COMMODITY PRICES ARE IN A DOWNWARD TRENDS, BUT REMAINS VOLATILE

The decline in oil prices are triggered by weak economic outlook in the US, China, and Europe

Global oil prices have fluctuated in the past month

Brent (US\$/barrel)

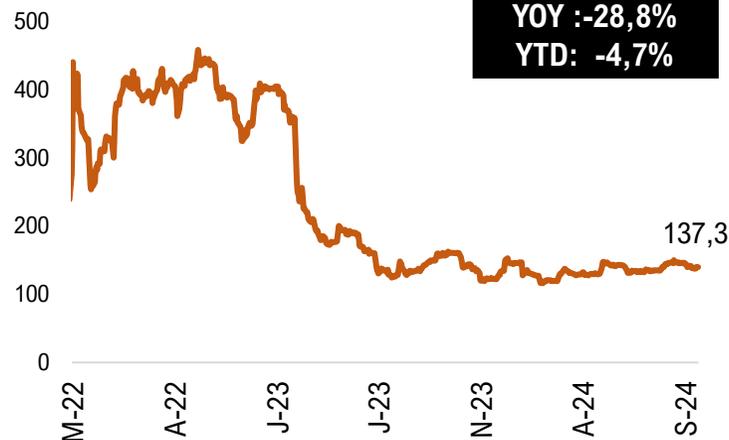
YOY: 0,7%
YTD: -3,3%



Gas and coal prices are low due to weak global demand and energy transition

Coal (US\$/Metric Ton)

YOY: -28,8%
YTD: -4,7%



Natural Gas (US\$/MMBtu)

YOY: -26,9%
YTD: -8,2%



Food prices are increasing due to potential decrease in supply caused by bad weather

CPO (US\$/Ton)

YOY: -0,3%
YTD: 18,9%



Rice (US\$/cwt)

YOY: -0,2%
YTD: -10,1%



Factors that trigger oil price volatility:

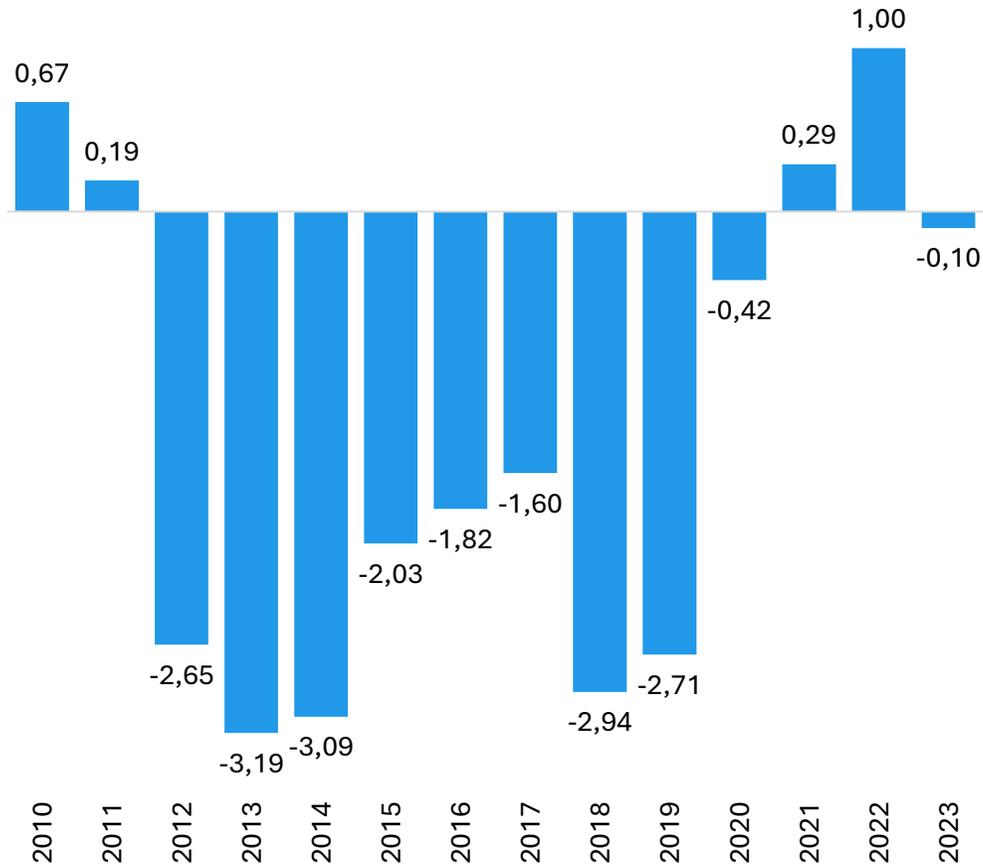
1. Concern on **global economic outlook**
2. **Limited supply** due to
 - Political instability in Libya
 - OPEC+ reduced production
3. **The US oil market** dynamics
 - Increased production and Strategic Petroleum Reserve (SPR)



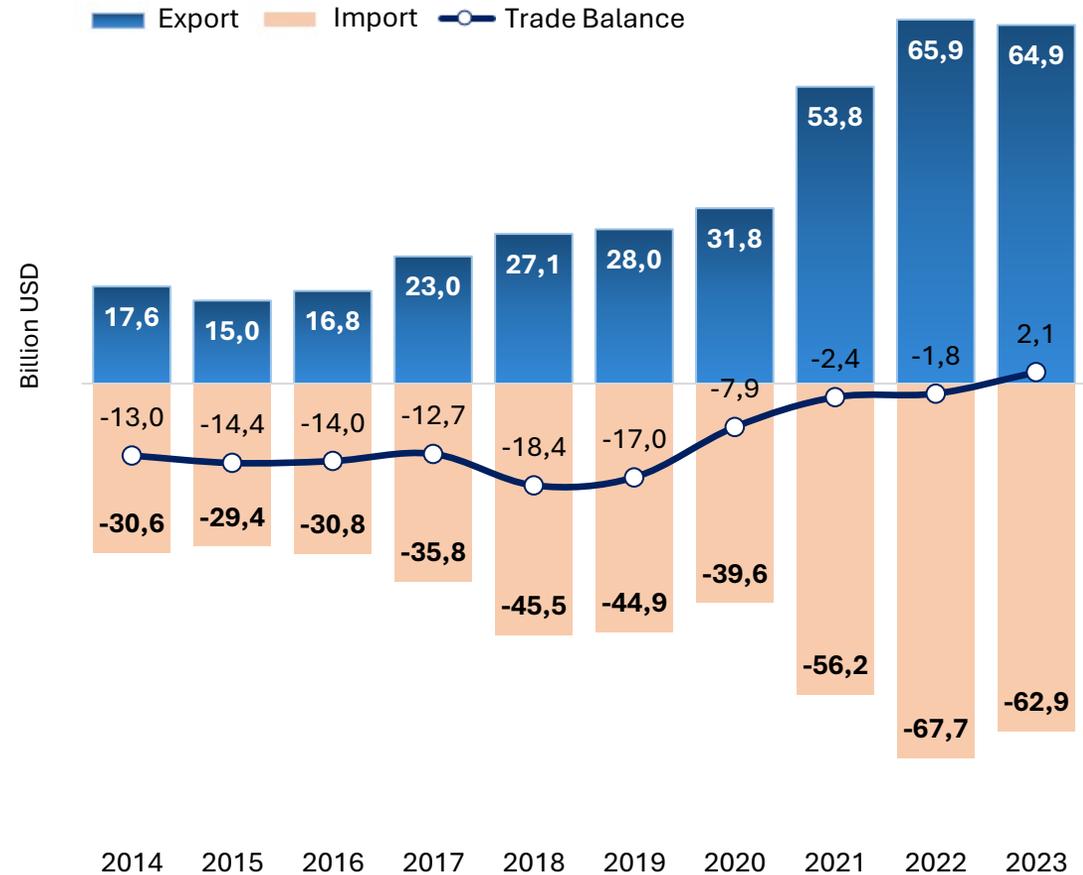
EXTERNAL POSITION CONTINUED TO STRENGTHEN

The Indonesia trade balance with China recorded a surplus for the first time in history

Current Account Balance (% of GDP)



Indonesia's Trade Balance with China (Bill USD)



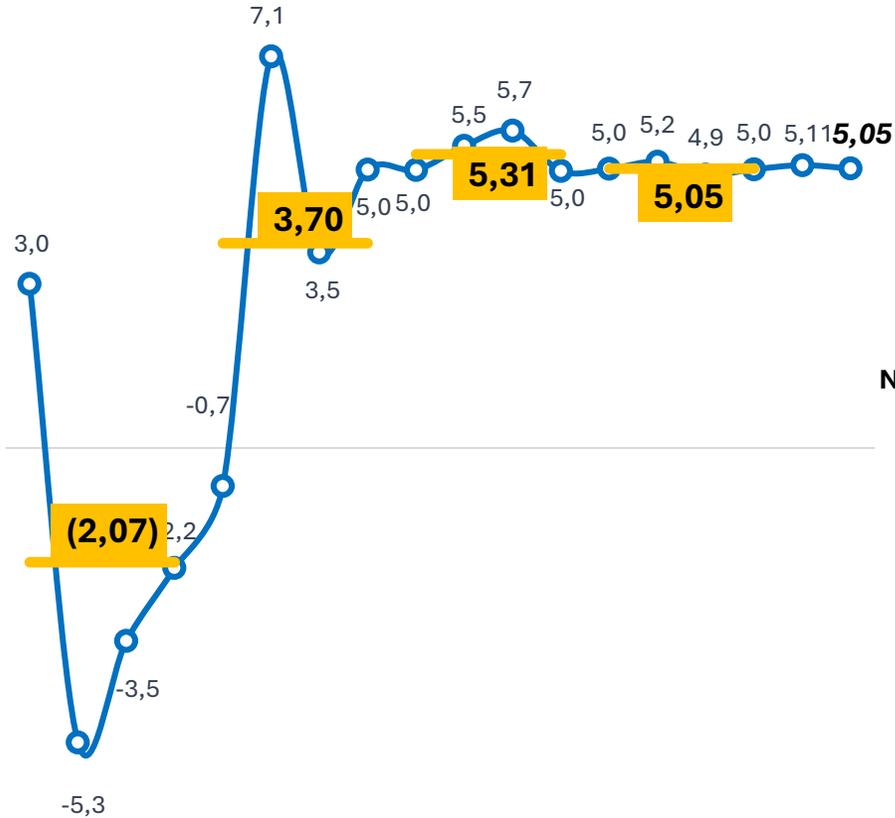
Sources: BPS, Trademap, CEIC processed



STRONG GROWTH IN THE SECOND QUARTER OF 2024

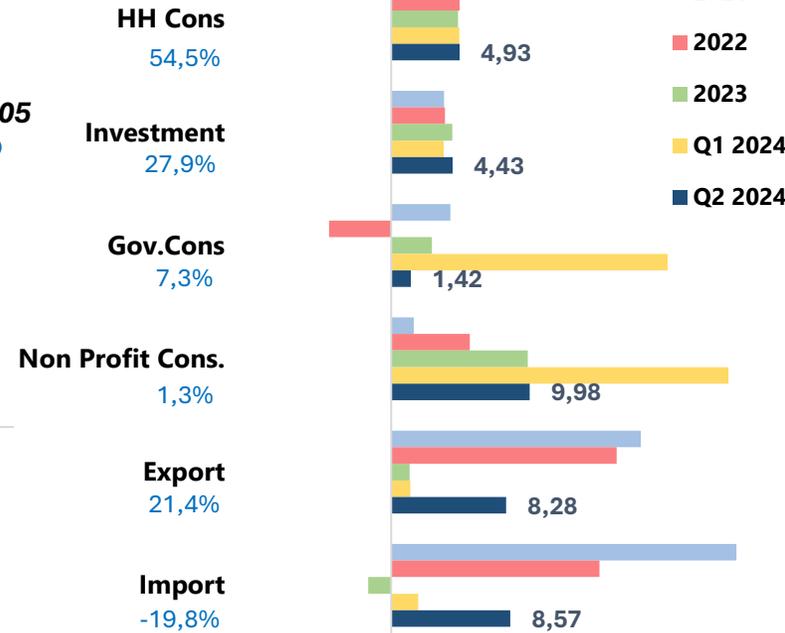
Household consumption drives growth, alongside expansion in the manufacturing sector

GDP Growth (% YoY)

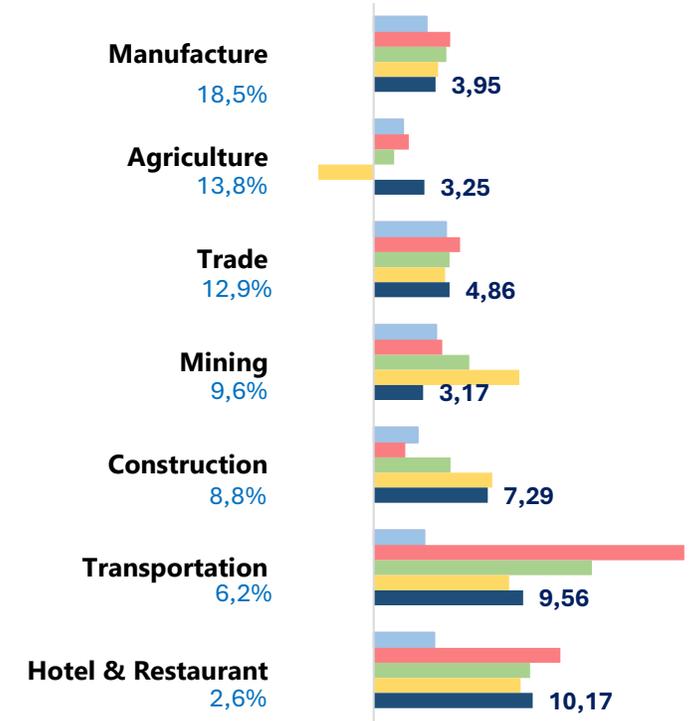


GDP Growth: Expenditure (% YoY)

(Dist. Q2 2024: % GDP)



GDP Growth: Production (% YoY)



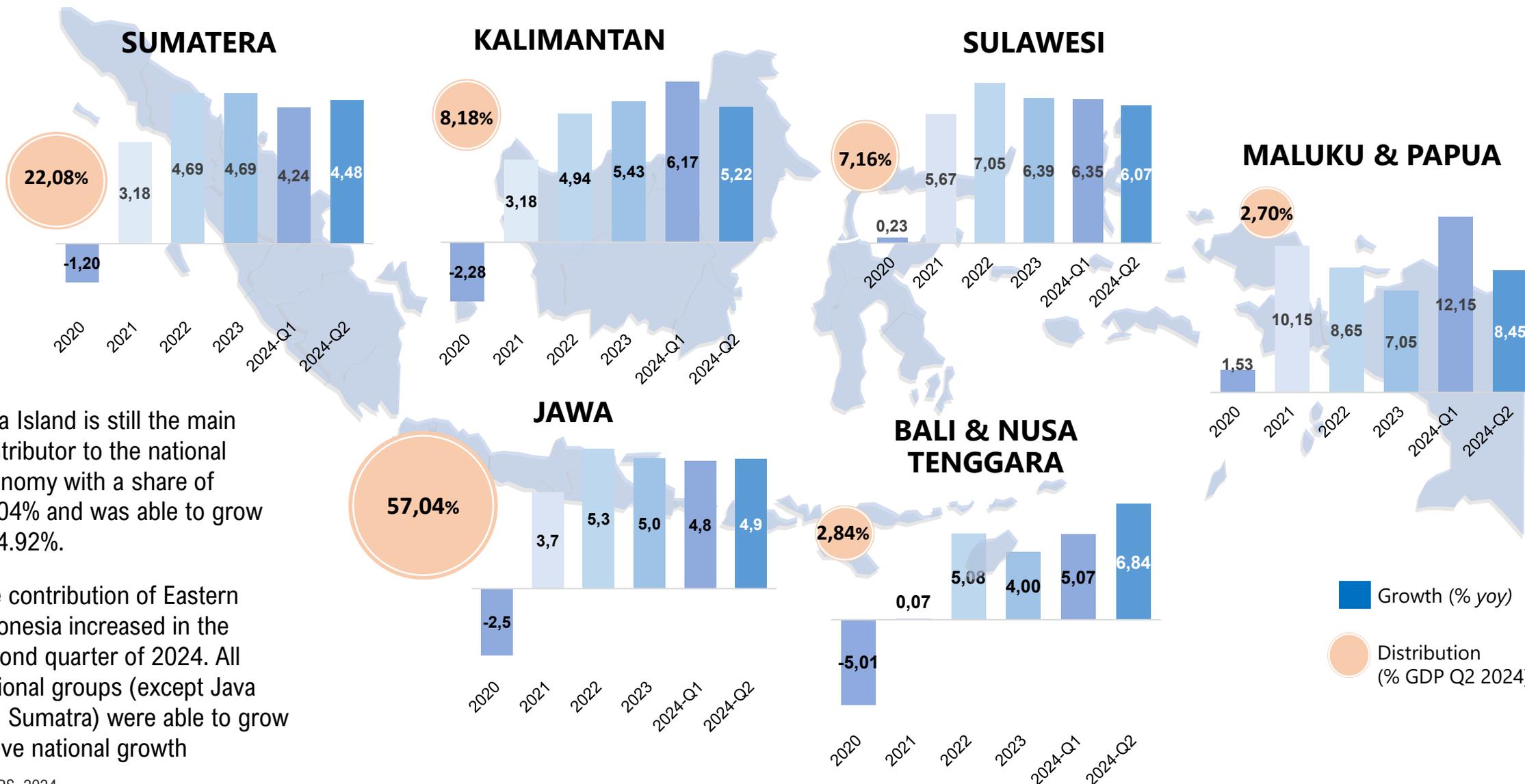
Year	Q1	Q2	Q3	Q4
2020				
2021				
2022				
2023				
2024				

- Strong consumption growth supported by controlled inflation, increased economic activities during holiday and school break, as well as salary increases, and bonuses for civil servants.
- Export and import grew significantly in the second quarter of 2024, thanks to increased export of steel and mineral fuel.

- All main sectors expanded.
- Manufacturing remains a key contributor, fueled by strong domestic demand, with food and beverage industry as the main driver.
- Construction sustained high growth, supported by the development of infrastructure projects from the government and private sector.



STRENGTHENING SPATIAL ECONOMIC STRUCTURE



- Java Island is still the main contributor to the national economy with a share of 57.04% and was able to grow by 4.92%.
- The contribution of Eastern Indonesia increased in the second quarter of 2024. All regional groups (except Java and Sumatra) were able to grow above national growth

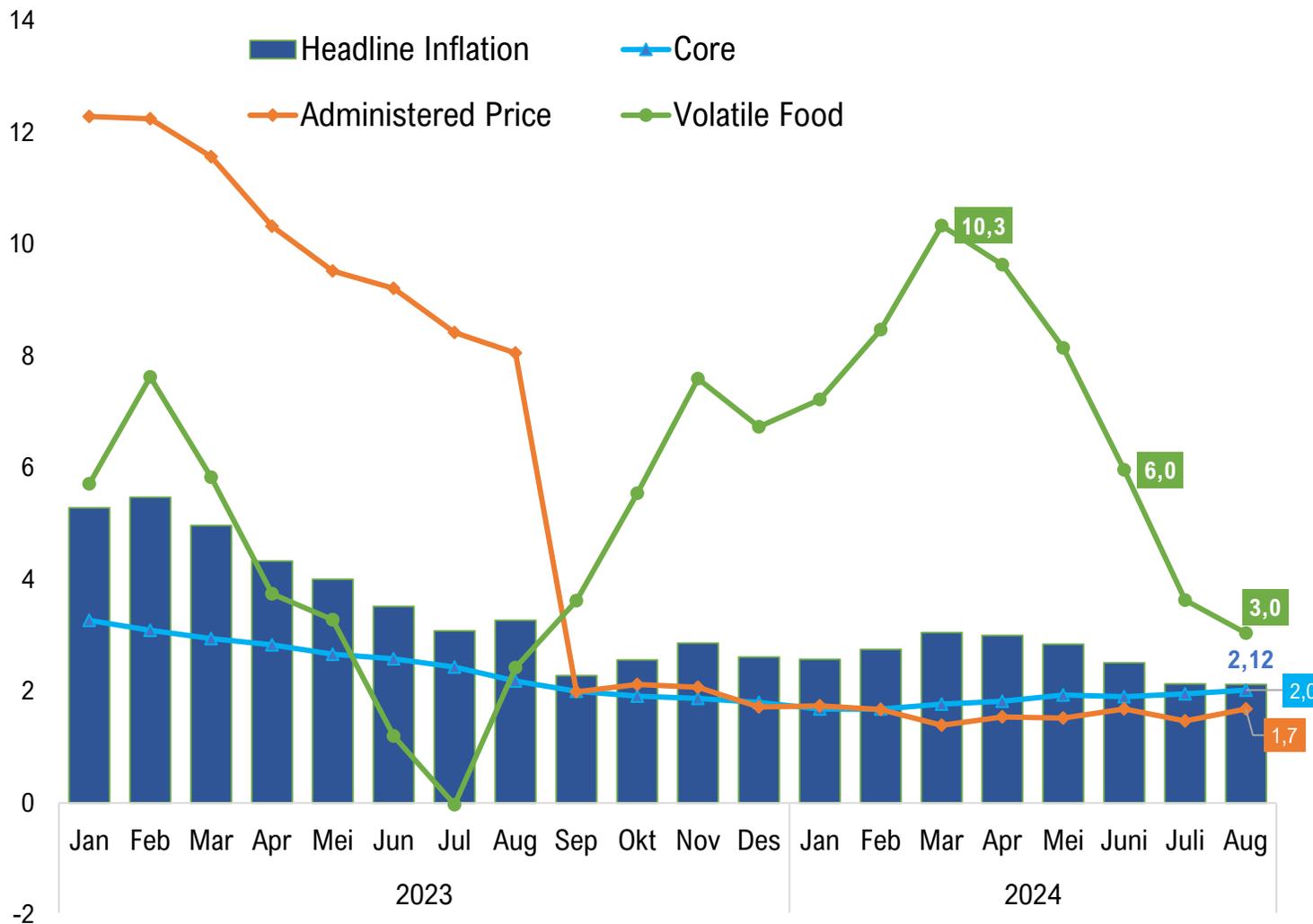
Source: BPS, 2024



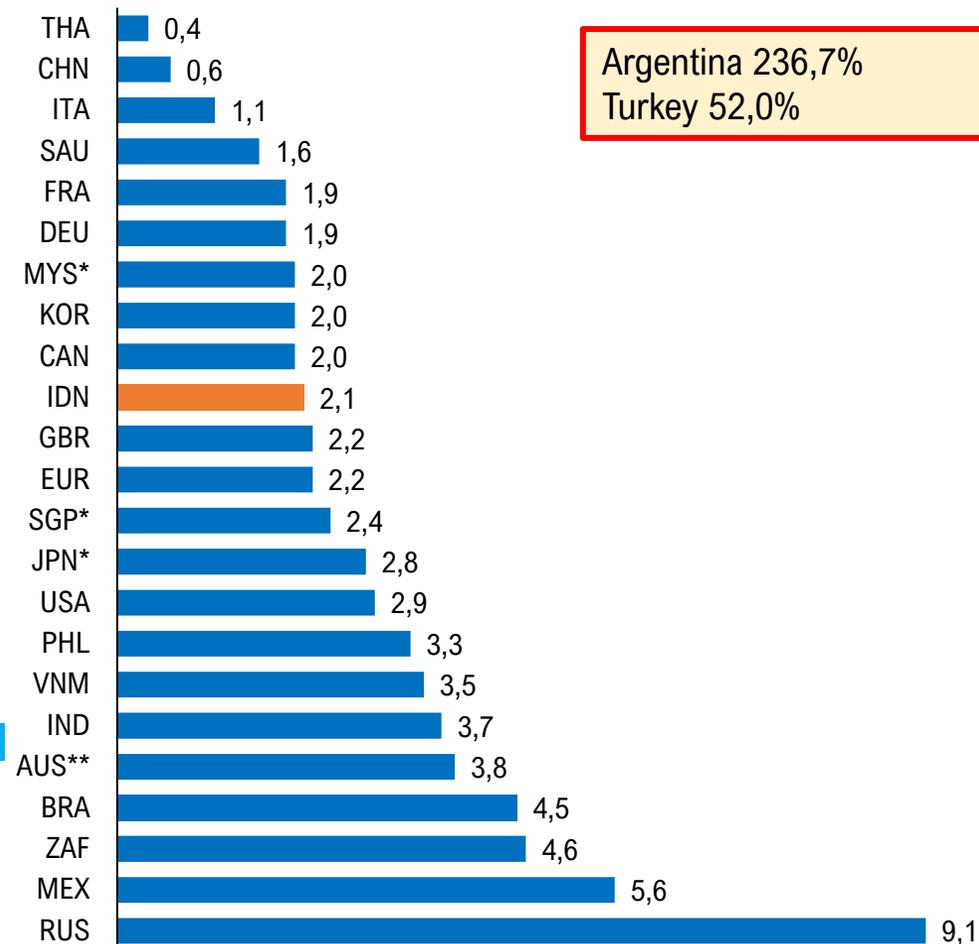
INFLATION IS UNDER CONTROL, SUPPORTED BY LOWER FOOD PRICES

Inflation Rate August 2024: 2,12% yoy, -0,03% mtom, 0,87% ytd

Indonesia's Inflation Rate (% , yoy)



August 2024 Inflation Rate by Country (% eop, yoy)



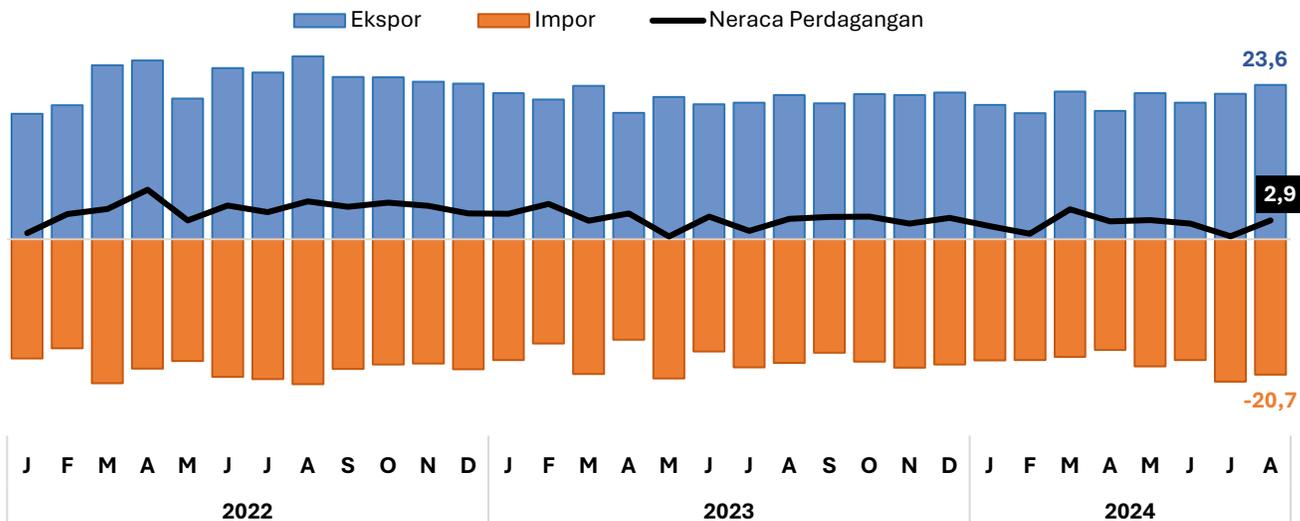
* July Inflation Rate
** June Inflation Rate

Source: Bloomberg

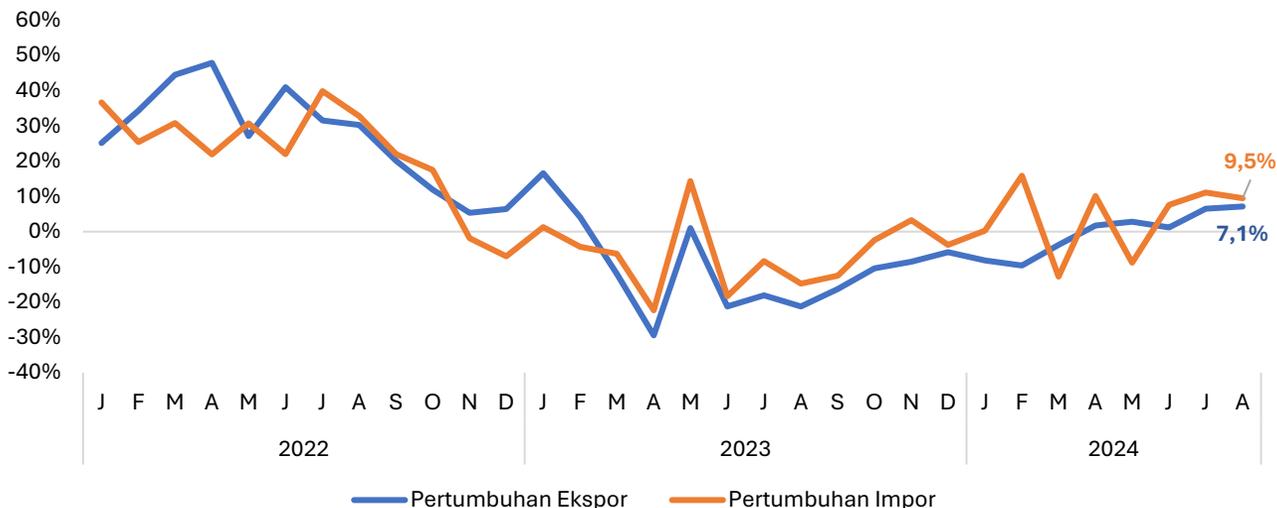


TRADE BALANCE MAINTAINS A SURPLUS, BUT GOING FORWARD GLOBAL RISKS NEED TO BE MITIGATED

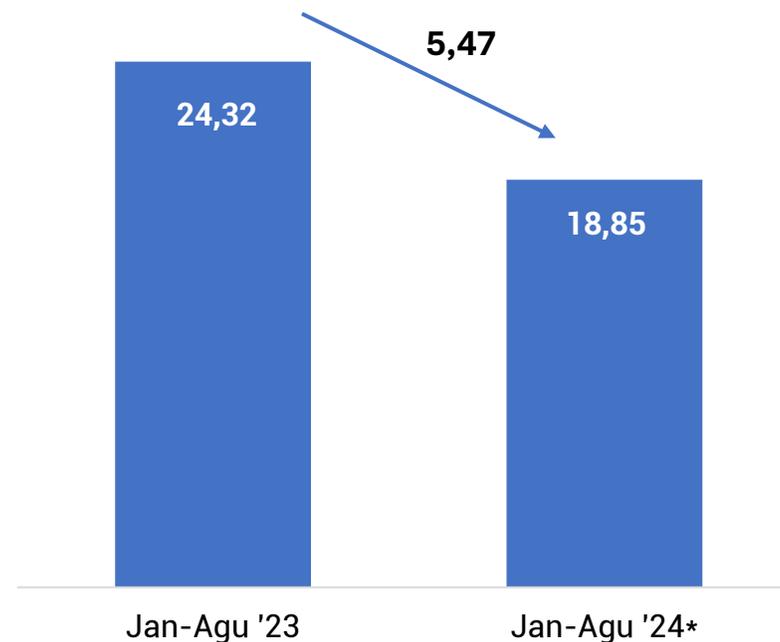
Indonesia's Trade Balance (US\$ Billion)



Export and Import Growth (% , yoy)



Cummulative Trade Balance (US\$ Billions)



- Exports for August were recorded at **USD23.56 billion** (grow 7.13%, yoy), while imports reached **USD20.67 billion** (grow 9.46%, yoy).
- Trade balance continues to recorded a surplus, although it has decreased on a cumulative basis.

Source: BPS

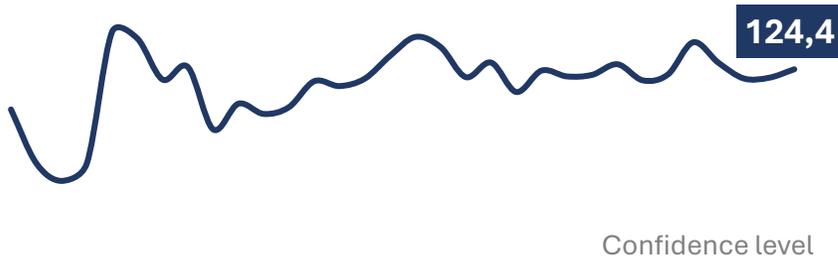


SHORT-TERM PROSPECT REMAINS RELATIVELY STRONG

Consumption remains strong; anticipating global impact on production sectors

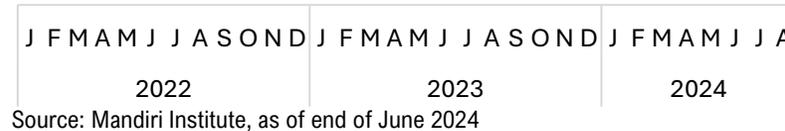
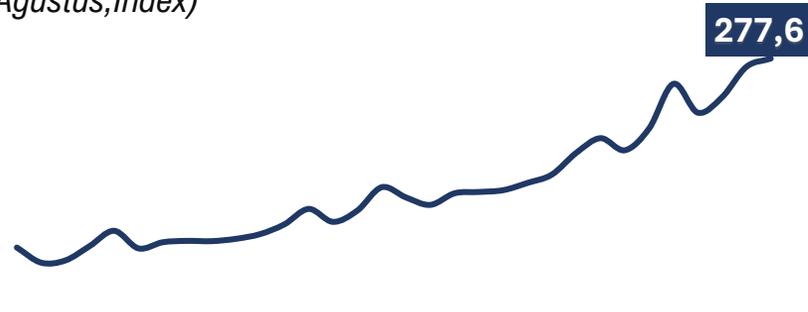
The Consumers Index remains relatively high

(Agustus, Index)



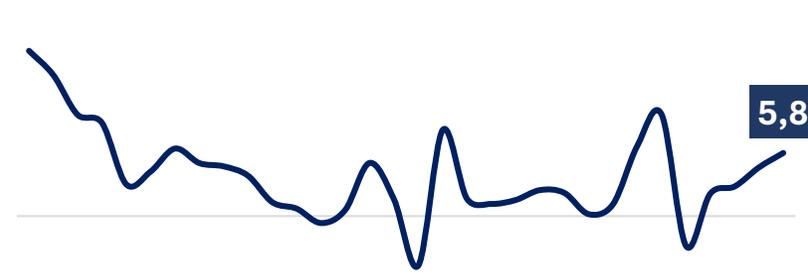
Consumption continues move steadily

(Agustus, Index)



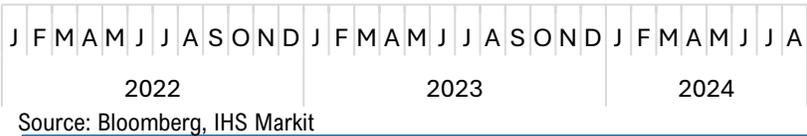
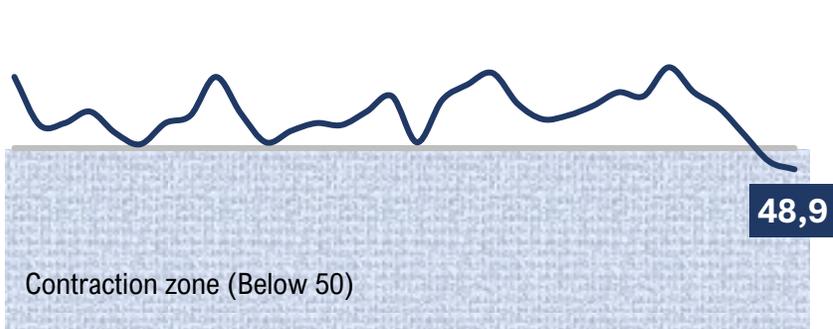
Real Sales Index growth rebound

(August, % yoy)



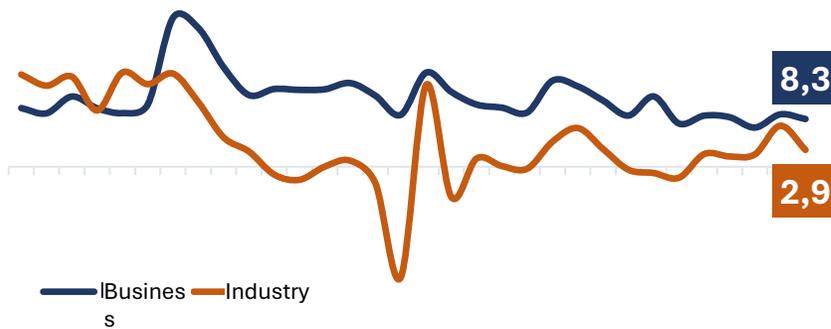
Manufacturing Activity slows down

(August, Index)



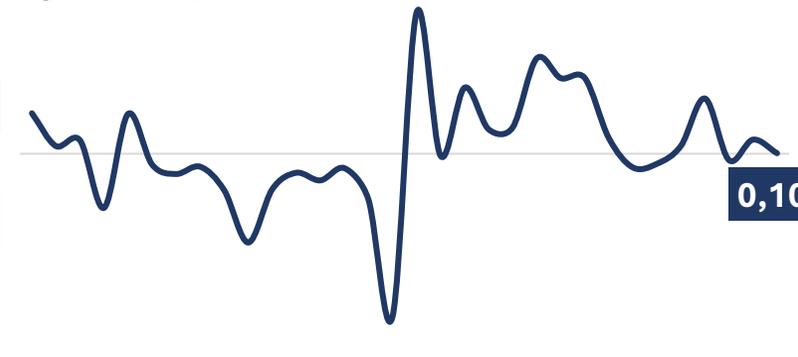
Electricity Consumption shows positive growth

(August, % YoY)



Cement consumption rebound

(August % YoY)

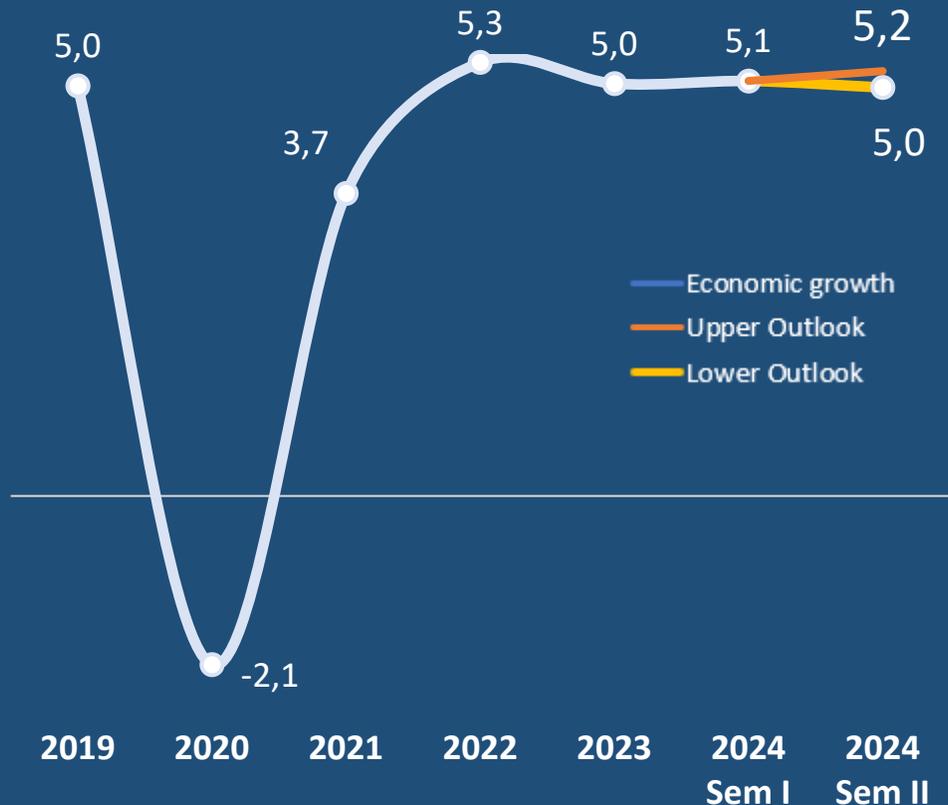




STABLE ECONOMIC OUTLOOK IN 2024

National Economic Growth (YoY, %)

Source: Statistics Indonesia, MoF's Estimate



- Domestic consumption is expected to remain strong with moderate inflation and job creation
- Acceleration of economic transformation is expected to continue (downstream, EV industry, digitalization)
- Strengthening structural reforms to improve ease of doing business would strengthen Indonesia's export competitiveness and investment

International Agencies' Forecasts of National Economic Growth

 WEO July-24	2024 : 5.0 2025 : 5.1	 THE WORLD BANK GEP Jun-24	2024 : 5.0 2025 : 5.1
 ADO Apr-24	2024 : 5.0 2025 : 5.0	 OECD Econ Outlook May-24	2024 : 5.1 2025 : 5.2
Bloomberg Consensus Forecast		2024 : 5.0 2025 : 5.1	



MINISTRY OF FINANCE
REPUBLIC OF INDONESIA

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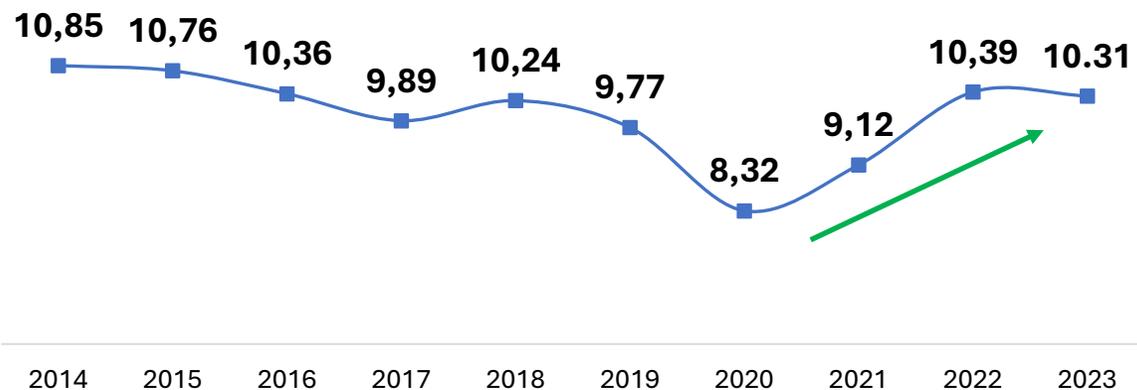
FISCAL UPDATES



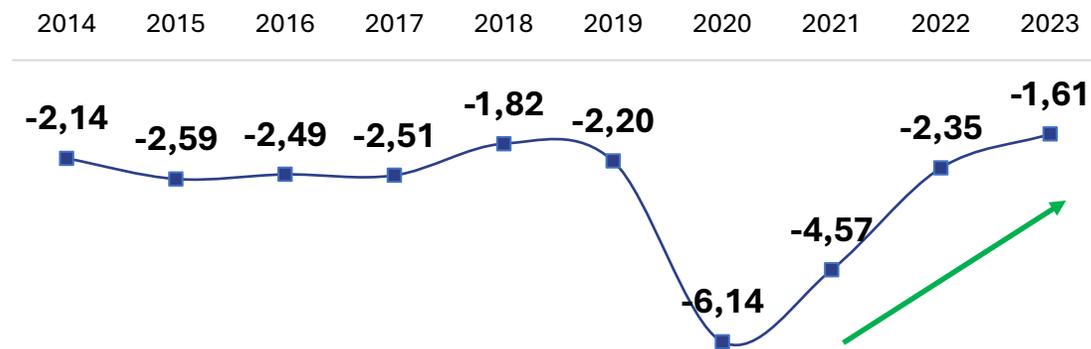
OVERALL FISCAL POSITION CONTINUED TO IMPROVE

Robust economic growth and tax reform has been able to offset the adverse impact of the moderating commodity prices

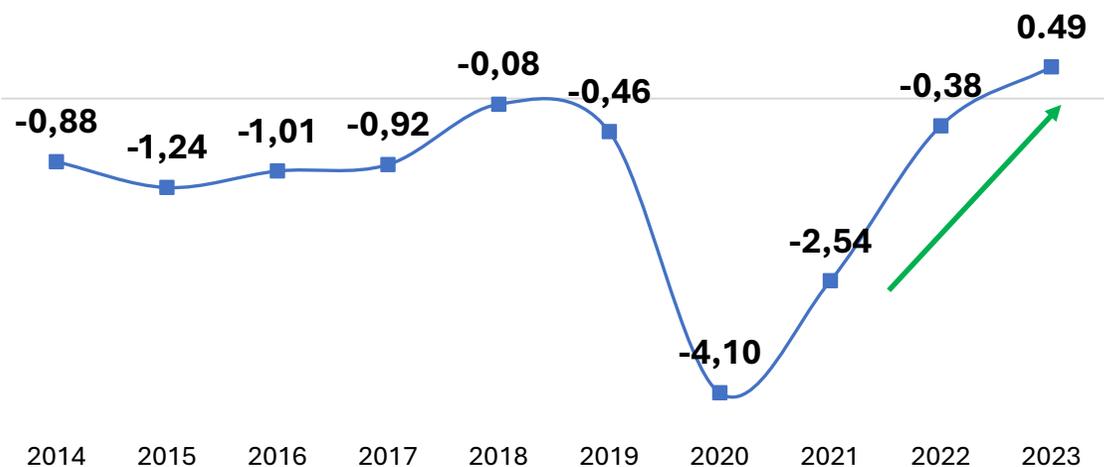
Tax ratio increases in line with stronger recovery (% GDP)



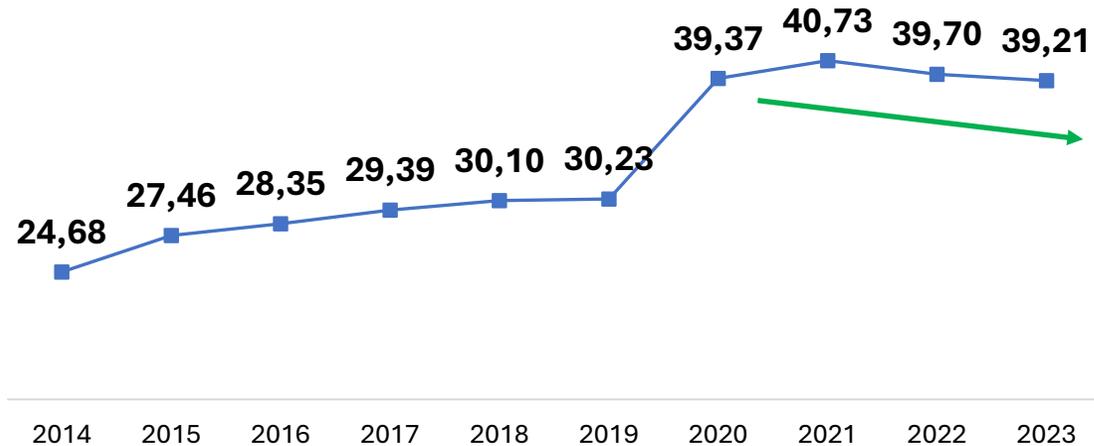
Overall budget position improved significantly (% GDP)



Surplus Primary Balance (% GDP)



Debt Ratio Declines (% of GDP)





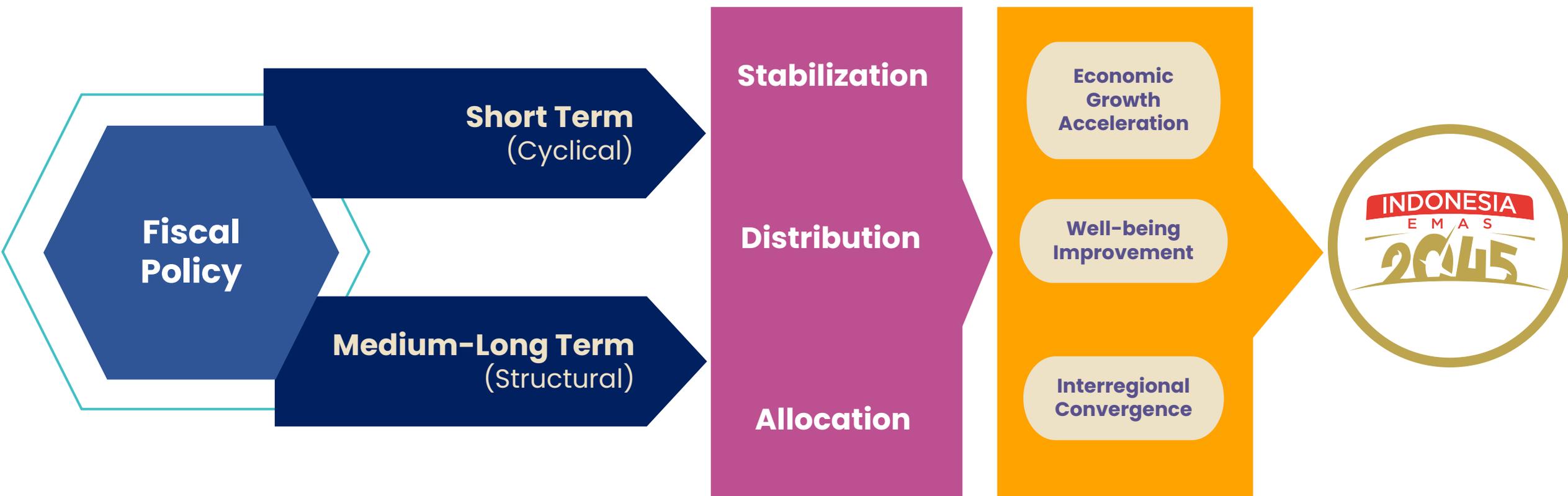
2024 BUDGET PERFORMANCE

Focused on Expediting Inclusive and Sustainable Economic Transformation

Account (IDR Tn)	2023				2024			
	Budget	Real. as of August 31	Growth (%)	Audited	Budget	Real. as of August 31	% to Budget	Growth (%)
Revenue	2,637.2	1,822.1	3.3	2,783.9	2,802.3	1,777.0	63.4	(2.5)
Tax Revenue	2,118.3	1,418.5	2.9	2,154.2	2,309.9	1,379.8	59.7	(2.7)
1. Tax	1,818.2	1,247.0	6.4	1,867.9	1,988.9	1,196.5	60.2	(4.0)
2. Costume and Excise	300.1	171.6	(16.8)	286.3	321.0	183.2	57.1	6.8
Non Tax Revenue	515.8	403.0	4.4	612.5	492.0	383.8	78.0	(4.8)
Expenditure	3,117.2	1,674.7	1.1	3,121.2	3,325.1	1,930.7	58.1	15.3
Central Government Expenditure	2,302.5	1,170.8	(0.6)	2,239.8	2,467.5	1,368.5	55.5	16.9
1. Line Ministries Spending	1,000.8	581.6	1.0	1,152.2	1,090.8	703.3	64.5	20.9
2. Non-Line Ministries Spending	1,301.6	589.1	(2.2)	1,087.6	1,376.7	665.2	48.3	12.9
Transfer to Region	814.7	503.9	5.2	881.4	857.6	562.1	65.5	11.6
Primary Balance	(38.5)	422.3	23.3	102.6	(25.5)	161.8	(634.5)	(61.7)
Surplus (Deficit)	(479.9)	147.5	36.7	(337.3)	(522.8)	(153.7)	29.4	(204.2)
<i>% to GDP</i>	<i>(2.27)</i>	<i>0.71</i>		<i>(1.61)</i>	<i>(2.29)</i>	<i>(0.68)</i>		
Financing	479.9	161.1	(44.0)	356.7	522.8	291.9	55.8	81.2



2025 FISCAL POLICY: ACCELERATING INCLUSIVE & SUSTAINABLE ECONOMIC GROWTH





MACROECONOMIC ASSUMPTIONS FOR THE BUDGET



Economic Growth
(%)

5.2

5.1

5.2



Inflation
(%, yoy)

2.8

2.7

2.5



10Y T-Bonds Rate
(%, average)

6.7

6.9

7.0



Exchange rate
(Rp/US\$, average)

15,000

16,000

16,000



Oil Price/ICP
(USD/barel, average)

82

82

82



Oil Lifting
(tbpd)

635

596

605



Lifting Gas
(tboepd)

1,033

995

1,005



2025 BUDGET PLAN

Account	2024 (IDR T)	2025 BUDGET PLAN (IDR T)		
	Budget	Budget Plan	% to GDP	Growth to 2024 Budget (%)
Revenue	2,802.3	2,996.9	12.3	6.9
Tax Revenue	2,309.9	2,490.9	10.2	7.8
1. Tax	1,988.9	2,189.3	9.0	10.1
2. Costume and Excise	321.0	301.6	1.2	(6.0)
Non Tax Revenue	492.0	505.4	2.1	2.7
Expenditure	3,325.1	3,613.1	14.9	8.7
Central Government Expenditure	2,467.5	2,693.2	11.1	9.1
Transfer to Region	857.6	919.9	3.8	7.3
Primary Balance	(25.5)	(63.3)	(0.3)	148.3
Surplus (Deficit)	(522.8)	(616.2)	-2.53	17.9
% to GDP	(2.29)	(2.53)		
Financing	522.8	616.2	2.53	17.9



MAINTAINING SUSTAINABILITY OF THE 2025 PRIORITY BUDGET TO SUPPORT THE DEVELOPMENT AGENDA

Share to total spending



EDUCATION Rp722,6 T

- Increasing access and quality of education i.e. PIP, KIP College, BOS, BOP PAUD, scholarships (LPDP)
- Providing nutritious food for school children, renovating schools and developing superior schools
- Strengthening links & matches with the job market (vocational & certification)

20%



SOCIAL PROTECTION Rp504,7 T

- Continuing social security al. PKH, Basic Food Cards, PIP, College KIP
- Synergy and integration of social protection program
- Strengthening social security throughout life;
- Strengthening graduation from poverty i.e. Social protection based on empowerment

14%



INFRASTRUCTURE Rp400,3T

- Development of agricultural infrastructure such as irrigation networks and dams
- Construction of integrated superior schools;
- Supporting infrastructure to support economic transformation (e.g. connectivity, downstreaming, food, energy)

11%



HEALTH Rp197,8T

- Promotive and preventive efforts, accelerating the reduction of stunting and TB cases;
- Construction of quality hospitals, free health checks and effectiveness of the JKN program
- Strengthening technology and pharmaceutical independence
- Strengthening a reliable health system

5.5%



FOOD SECURITY Rp124,4 T

- Intensification and extensification of agricultural land, strengthening of agricultural infrastructure and infrastructure (eg, dams and irrigation)
- Food storage & increasing access to financing for farmers
- Strengthening national food reserves (food availability and affordability)

3.4%



LAW & DEFENCE Rp372,6 T

- Modernization of defense equipment
- Strengthening ICT from Cyber threats
- Support strategic industrial capabilities
- Implementation of legal and security operational activities

10.3%

THANK YOU

Check out our Investor Relation Unit (IRU) page



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