MINISTRY OF FINANCE
REPUBLIC OF INDONESIA

RECENT MACROECONOMIC AND FISCAL DEVELOPMENT

Republic of Indonesia
October 2024

MINISTRY OF FINANCE
REPUBLIC OF INDONESIA

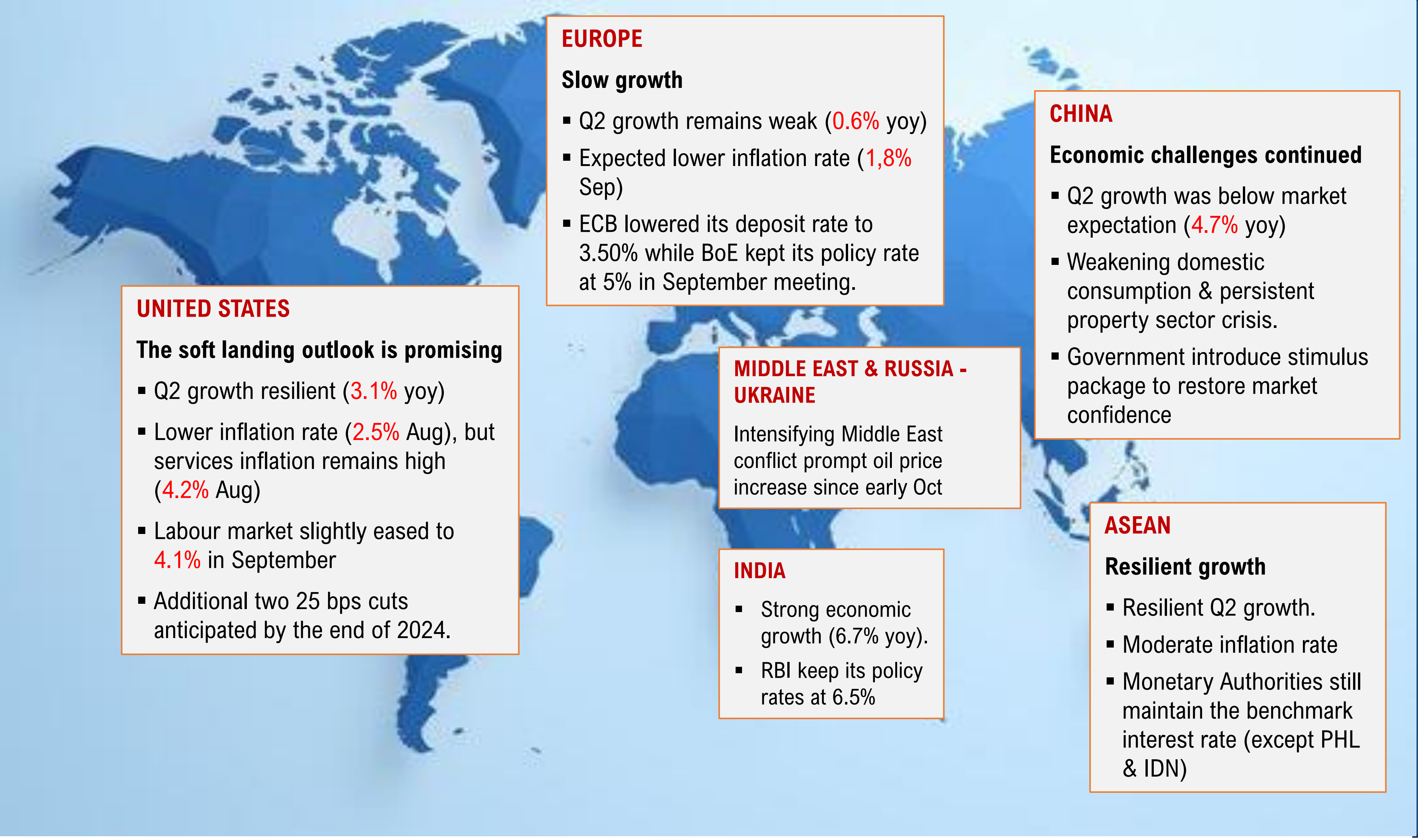
01 MACROECONOMICS UPDATES

02 FISCAL UPDATES

01

MACROECONOMICS UPDATES

FOLLOWING US RATE CUTS, GLOBAL ECONOMIC UNCERTAINTY PERSIST



UNITED STATES

The soft landing outlook is promising

- Q2 growth resilient (3.1% yoy)
- Lower inflation rate (2.5% Aug), but services inflation remains high (4.2% Aug)
- Labour market slightly eased to 4.1% in September
- Additional two 25 bps cuts anticipated by the end of 2024.

EUROPE

Slow growth

- Q2 growth remains weak (0.6% yoy)
- Expected lower inflation rate (1,8% Sep)
- ECB lowered its deposit rate to 3.50% while BoE kept its policy rate at 5% in September meeting.

MIDDLE EAST & RUSSIA - UKRAINE

Intensifying Middle East conflict prompt oil price increase since early Oct

INDIA

- Strong economic growth (6.7% yoy).
- RBI keep its policy rates at 6.5%

CHINA

Economic challenges continued

- Q2 growth was below market expectation (4.7% yoy)
- Weakening domestic consumption & persistent property sector crisis.
- Government introduce stimulus package to restore market confidence

ASEAN

Resilient growth

- Resilient Q2 growth.
- Moderate inflation rate
- Monetary Authorities still maintain the benchmark interest rate (except PHL & IDN)

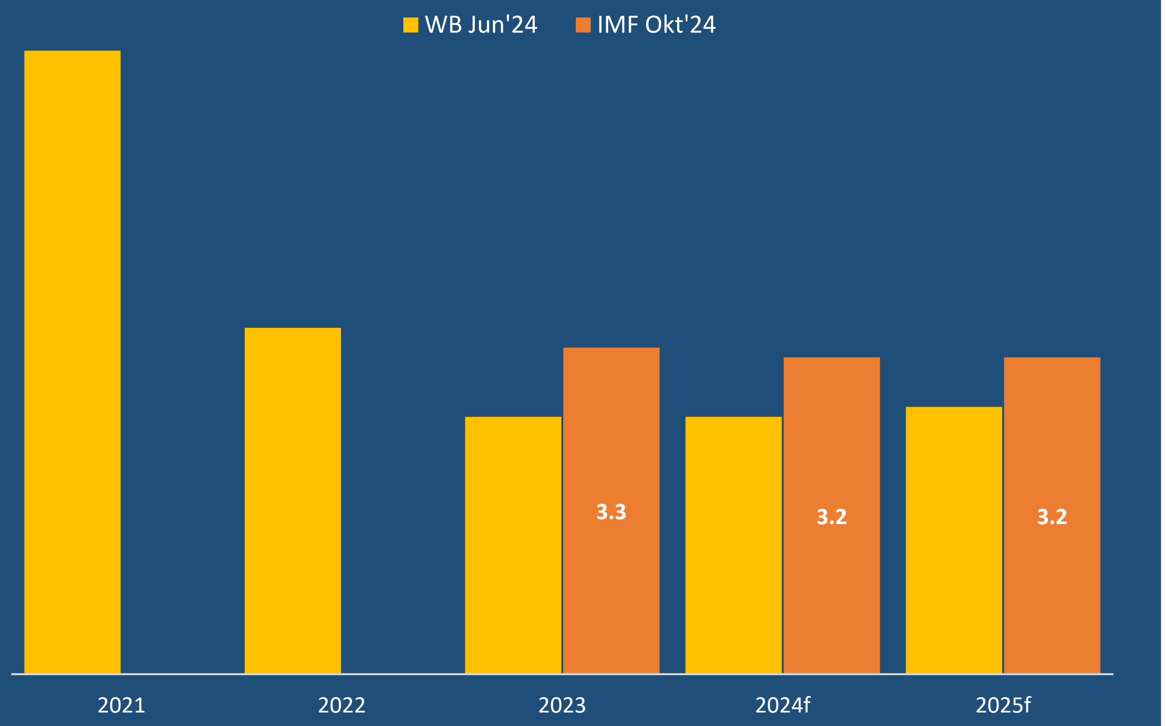
Potential Impact to Indonesia:

- Sluggish export and trade performance
- Commodity prices volatility
- Manufacturing sector challenges
- Financial market volatility

GLOBAL GROWTH REMAINS STABLE DESPITE WEAKENING

Forecast updgrade in US offsett the downgrade in Euro area. Likewise in developing economies, downward revision in Middle-East, Central Asia, and Sub-saharan Africa compensated by upgrade in emerging Asia

Global Economic Growth Projections, % yoy



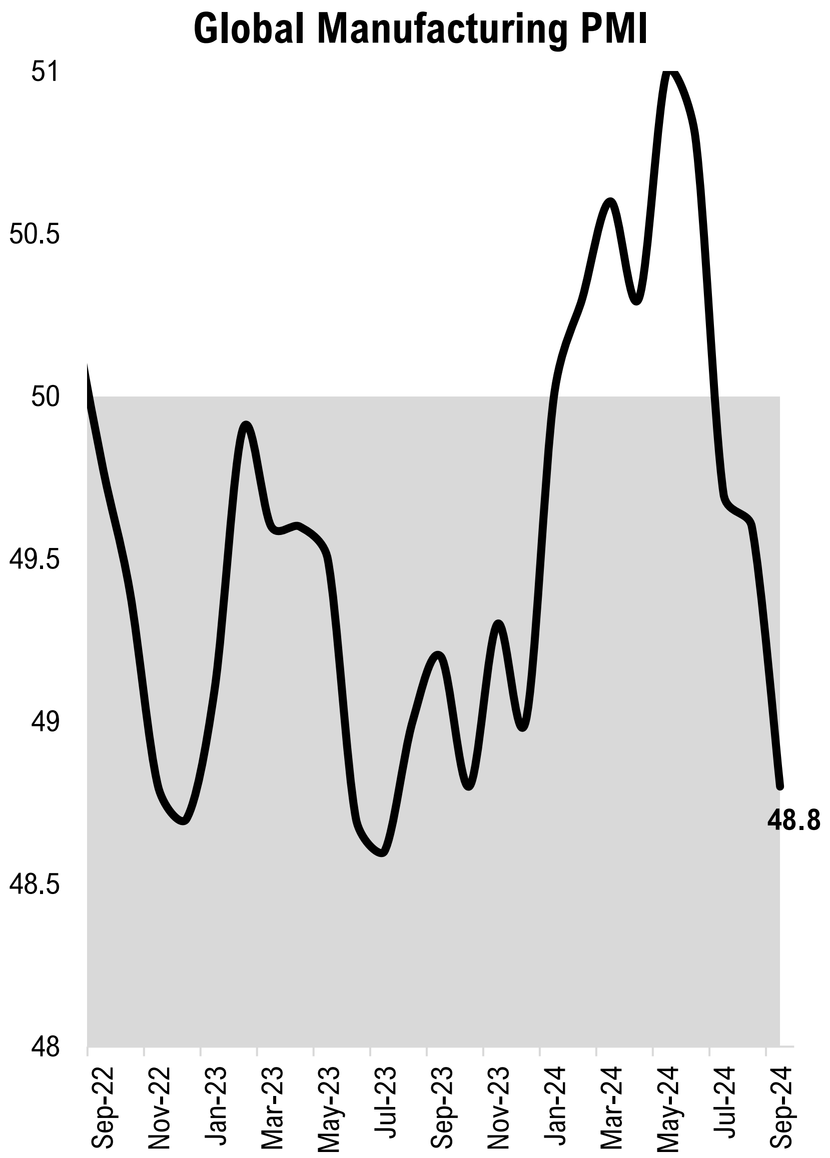
Sources: WEO IMF October 2024, WB GEP Jun 2024 processed

Economic Growth Projections of Several Countries (% yoy)

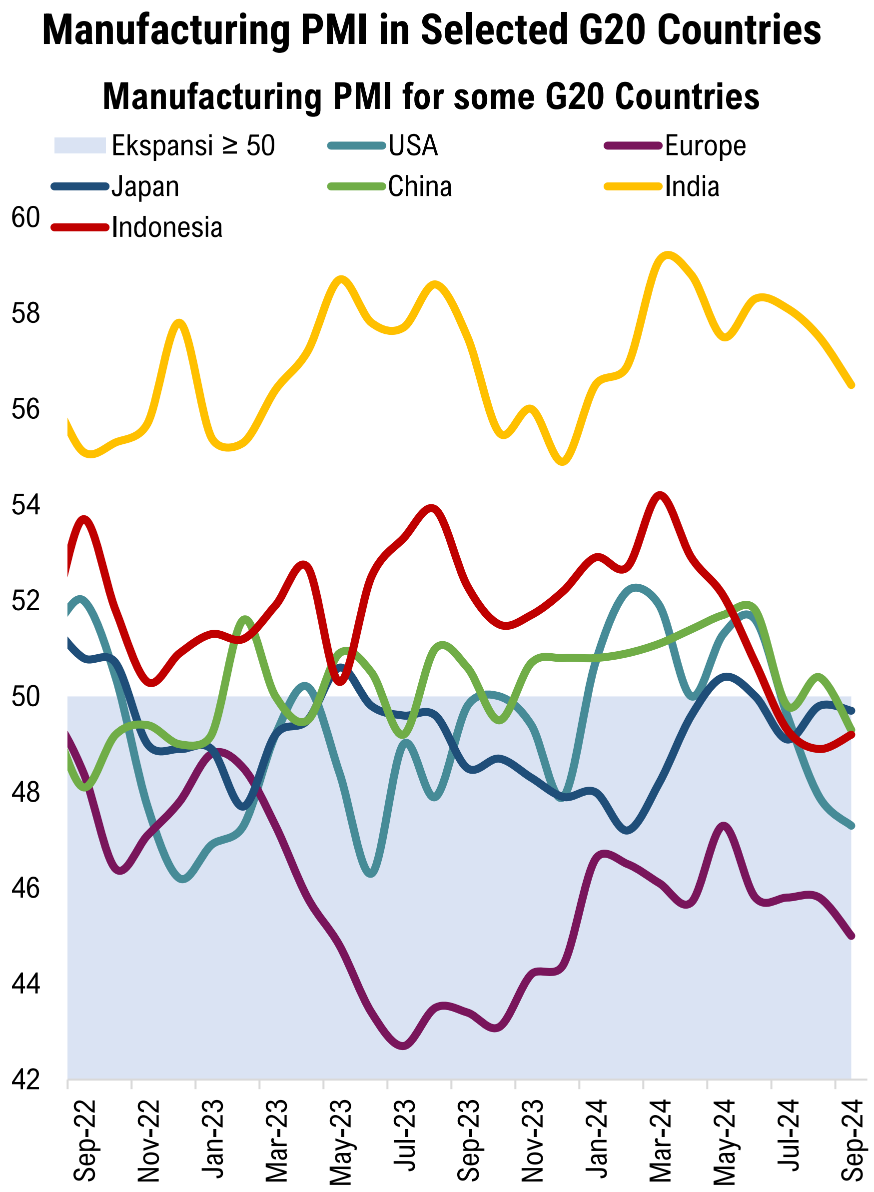
Country	2023	2024f	2025f
World	**3.3**	**3.2**	**3.2**
United States	2.5	2.8	2.2
Euro Area	0,5	0.8	1.2
China	5.2	4.8	4.5
Indonesia	5.0	5.0	5.1
India	8.2	7.0	6.5
ASEAN-5	4.1	4.5	4.5

Global Inflation Projection	2024	2025
	5.8% (↓ 0.1 pp)	4.3% (↓ 0.1 pp)

GLOBAL MANUFACTURING ACTIVITIES CONTRACTED FOR THE THIRD CONSECUTIVE MONTH

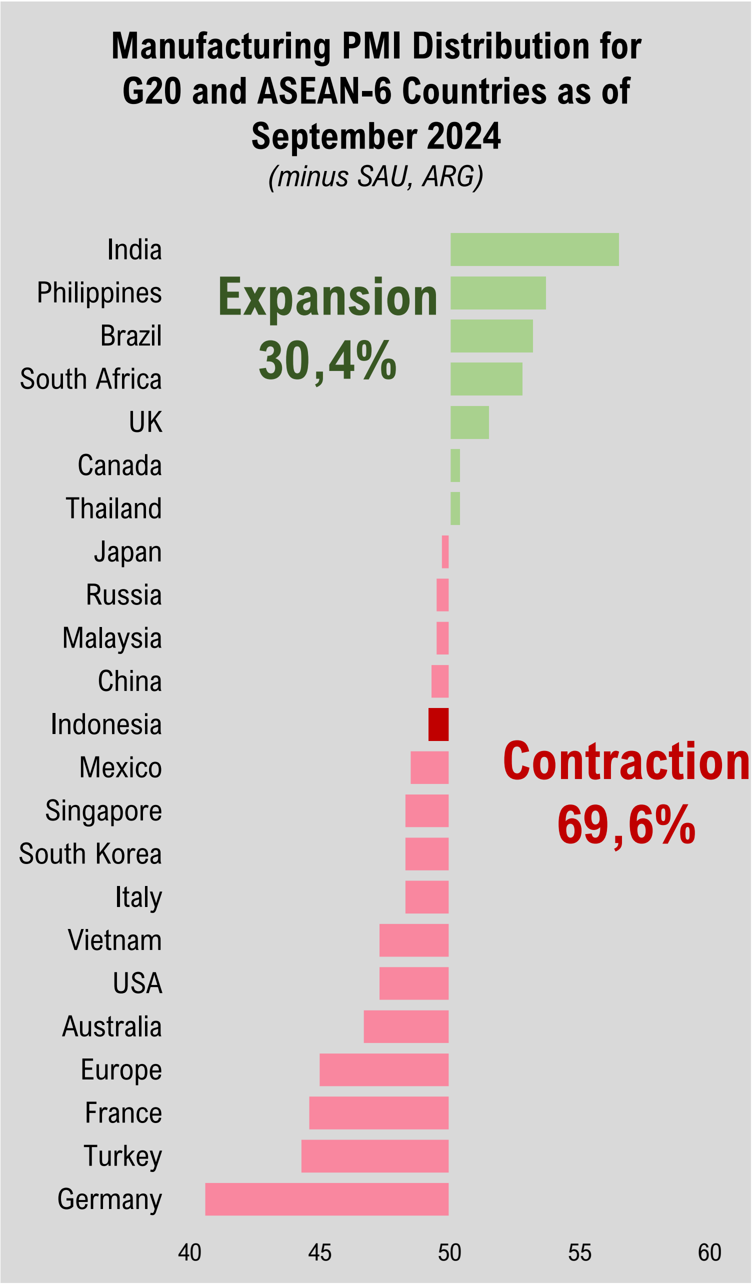


Global Manufacturing PMI



Manufacturing PMI in Selected G20 Countries

Manufacturing PMI for some G20 Countries



Manufacturing PMI Distribution for G20 and ASEAN-6 Countries as of September 2024

(minus SAU, ARG)

GLOBAL COMMODITY PRICES STRENGTHEN IN THE PAST MONTH

The oil price, which had previously surged, has fallen again due to concerns over the weakening Chinese economy and the easing tensions in the Middle East

ENERGY COMMODITY PRICES

Brent (US$/barrel)

MOM:1,9%
YTD: -2,9%
YOY: -1,5%

Coal (US$/Metric Ton)

MOM :4,1%
YTD: -0,6%
YOY: -26,3%

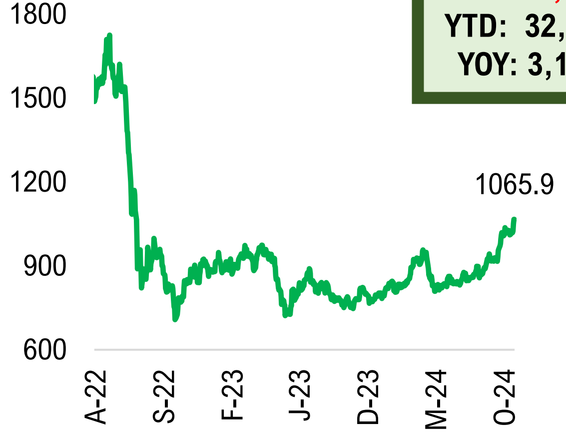
Natural Gas (US$/MMBtu)

MOM :-10,4%
YTD: -4,8%
YOY: -24,7%

AGRICULTURE COMMODITY PRICES

CPO (US$/Ton)

MOM :7,2%
YTD: 32,8%
YOY: 3,1%

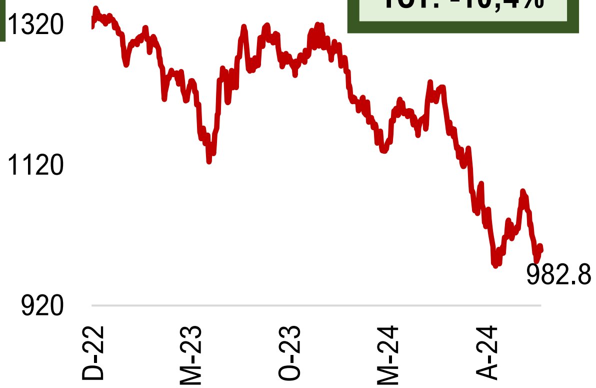


Wheat (US$/Bushels)

MOM :-2,8%
YTD: -8,8%
YOY: -12,1%

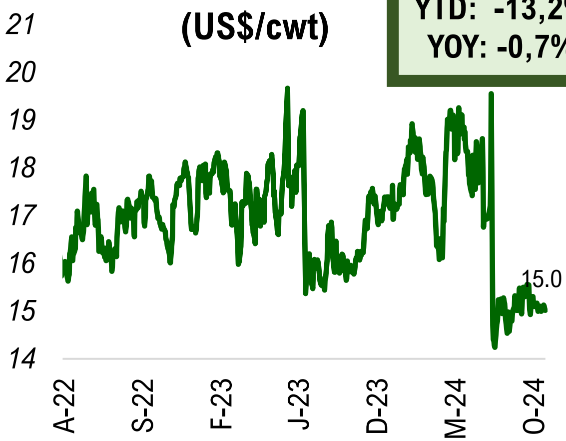
Soybean (US$/bu.)

MOM -6,8%
YTD: -20,3%
YOY: -10,4%



Rice (US$/cwt)

MOM :-0,1%
YTD: -13,2%
YOY: -0,7%

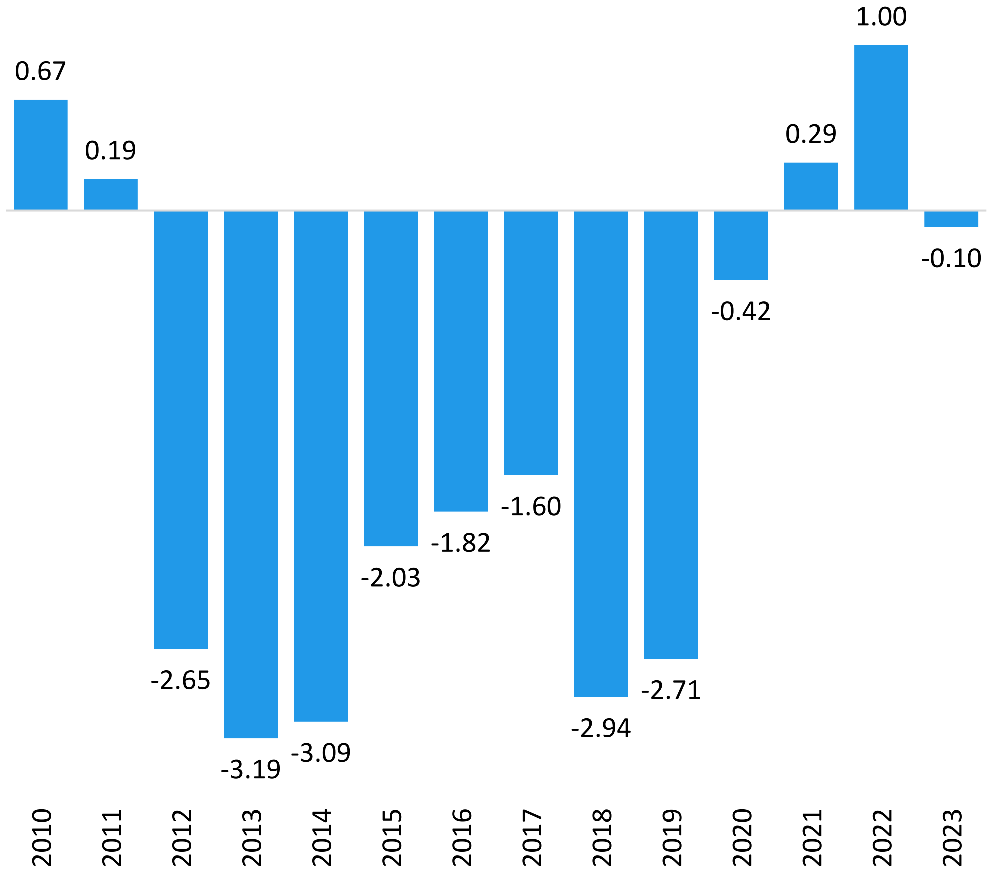


Sumber: Bloomberg, as of 25 Oct 2024; YOY value using the average price from the beginning of the year to the data closing date

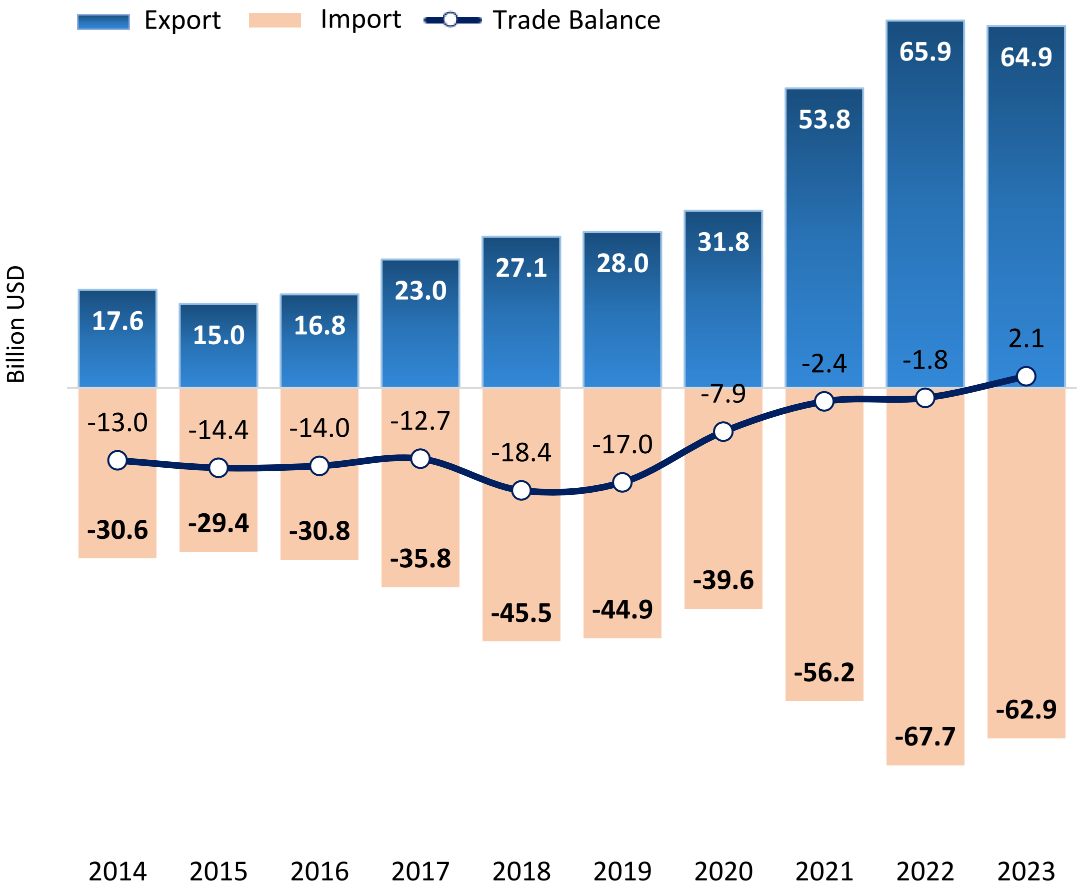
EXTERNAL POSITION CONTINUED TO STRENGTHEN

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

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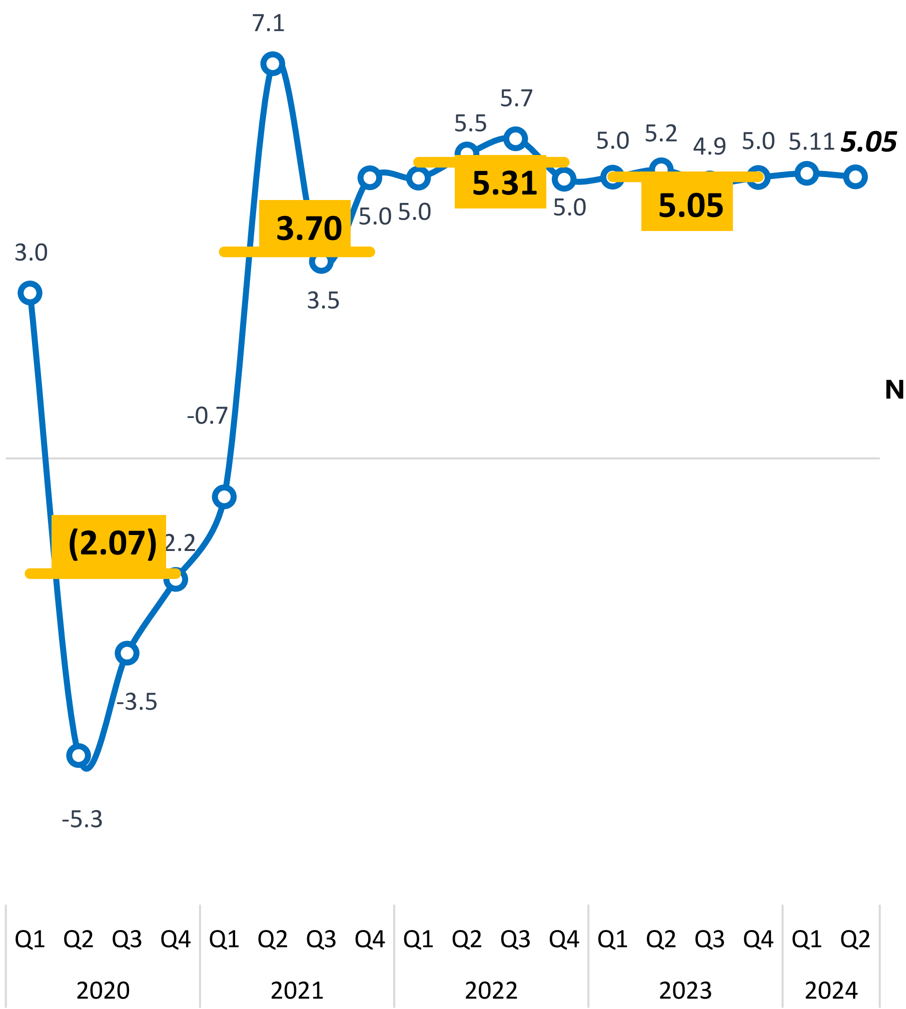
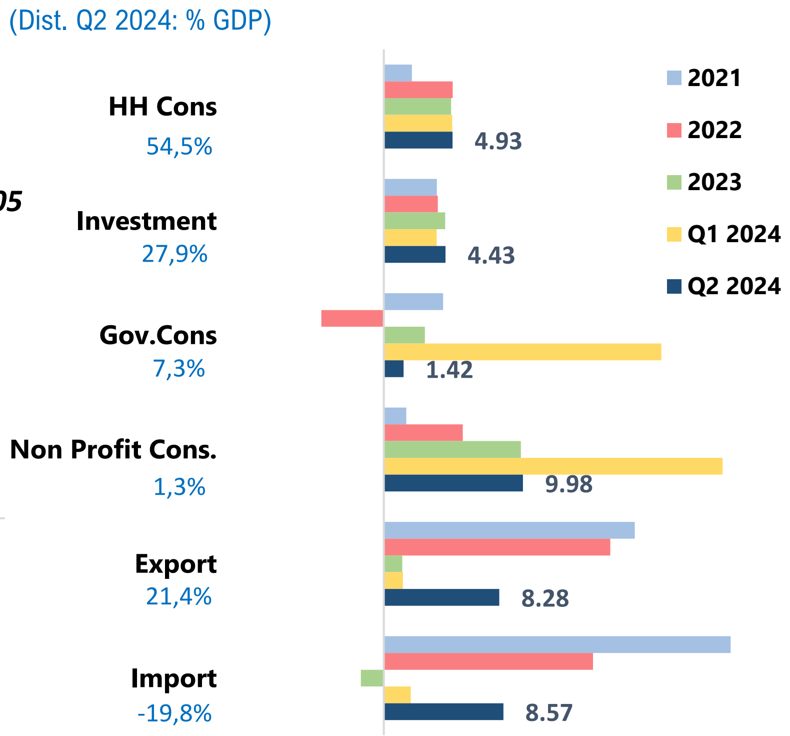
STRONG GROWTH IN THE SECOND QUARTER OF 2024

Household consumption drives growth, alongside expansion in the manufacturing sector

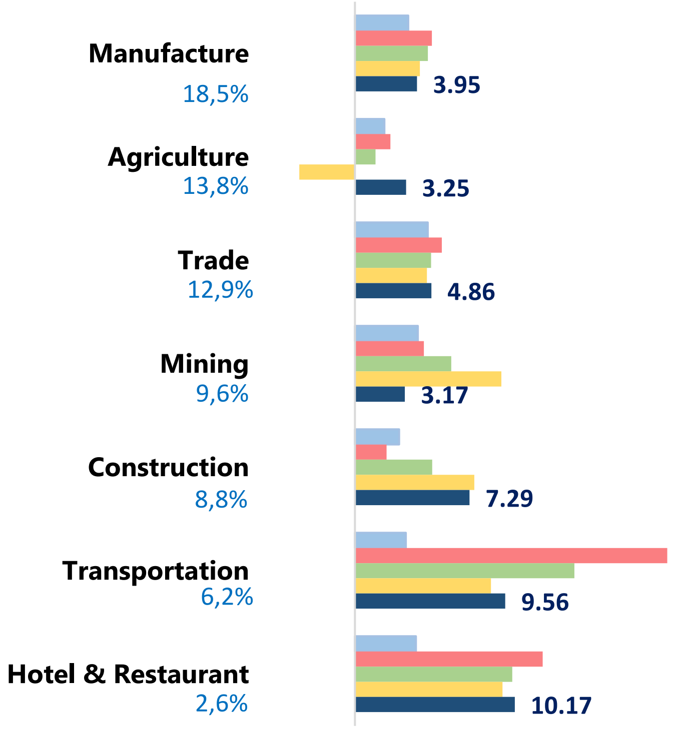
GDP Growth (% YoY)



GDP Growth: Expenditure (%, YoY)



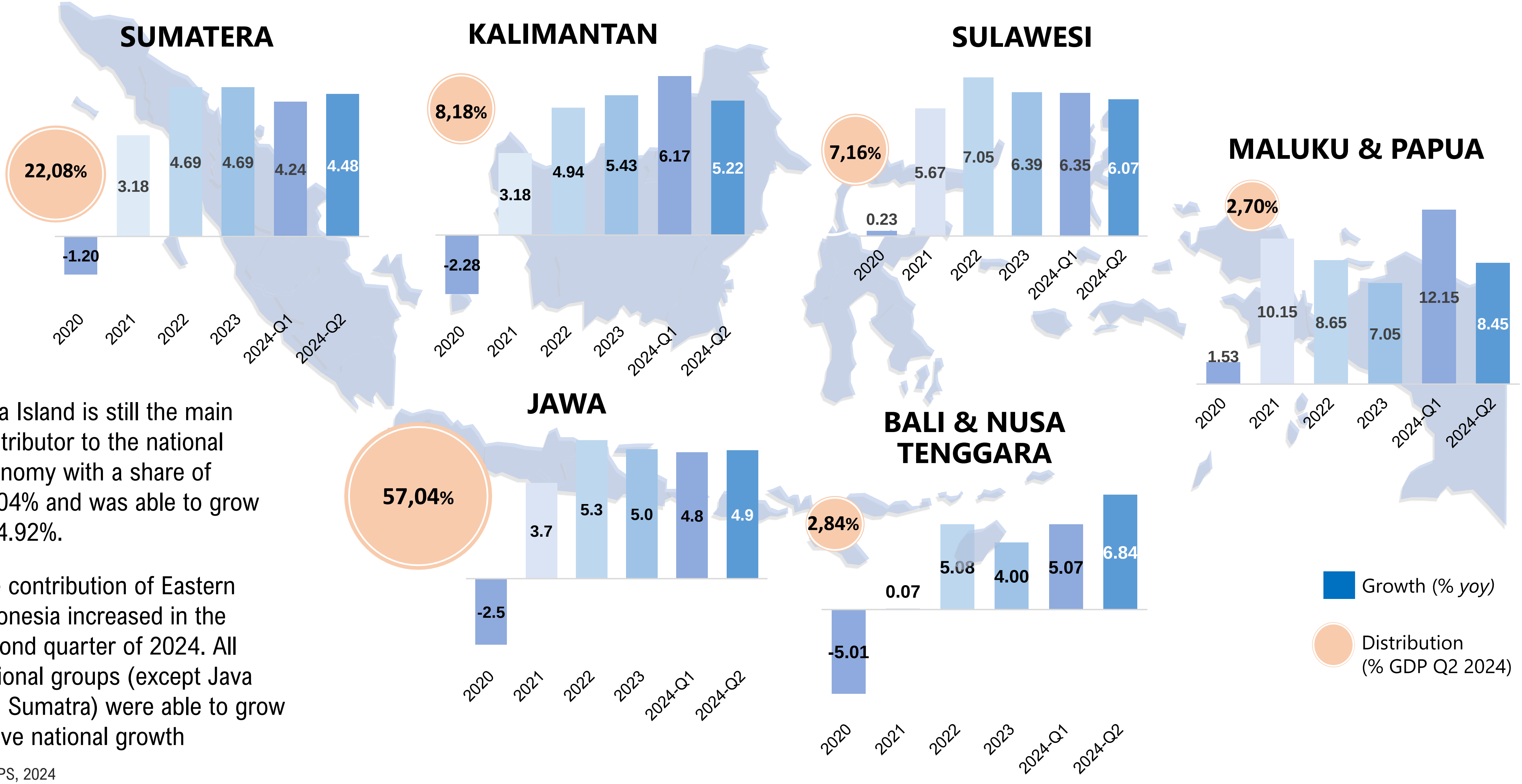
GDP Growth: Production (%, YoY)



- 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

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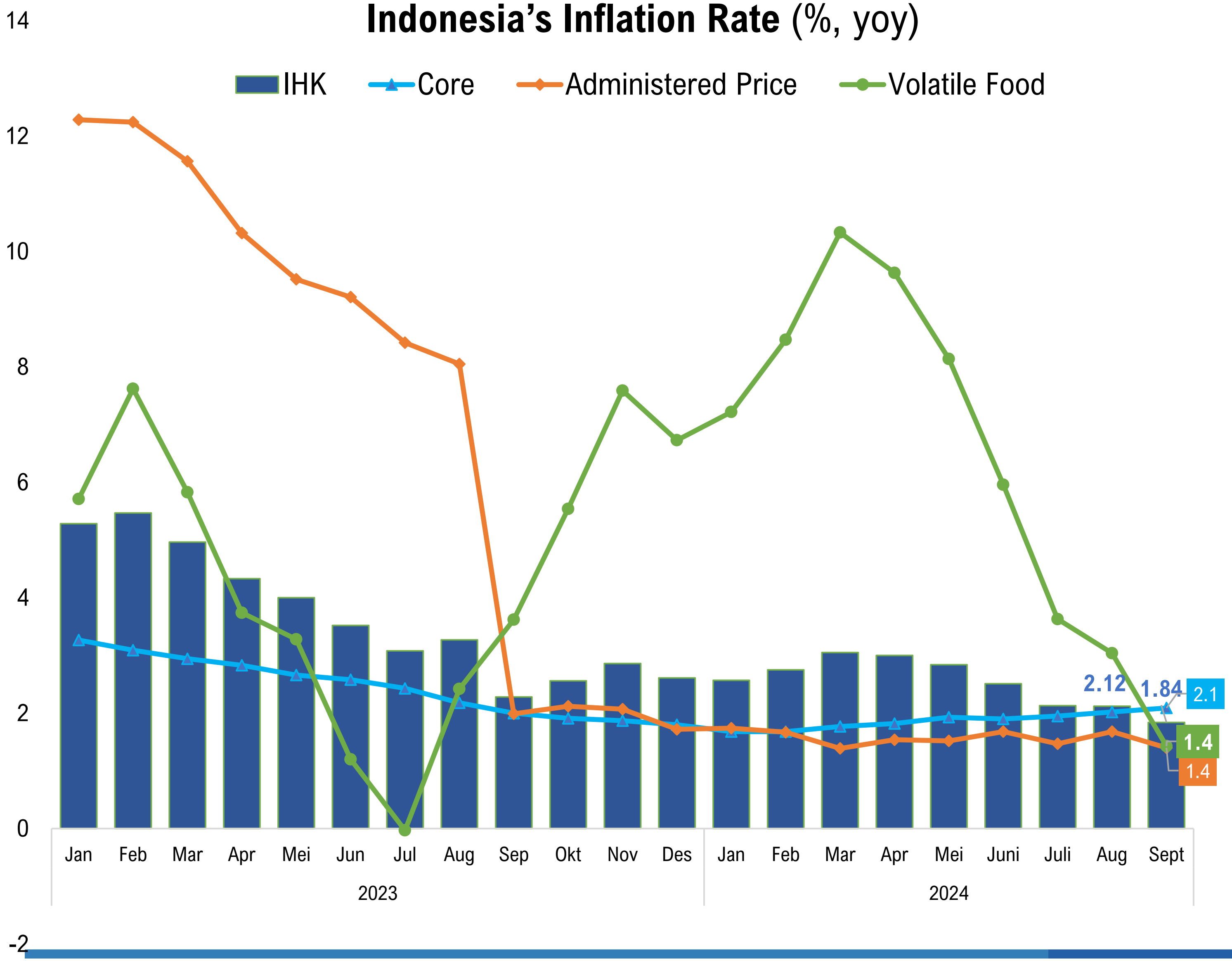
INFLATION RATE IS UNDER CONTROL, SUPPORTED BY LOWER FOOD PRICES

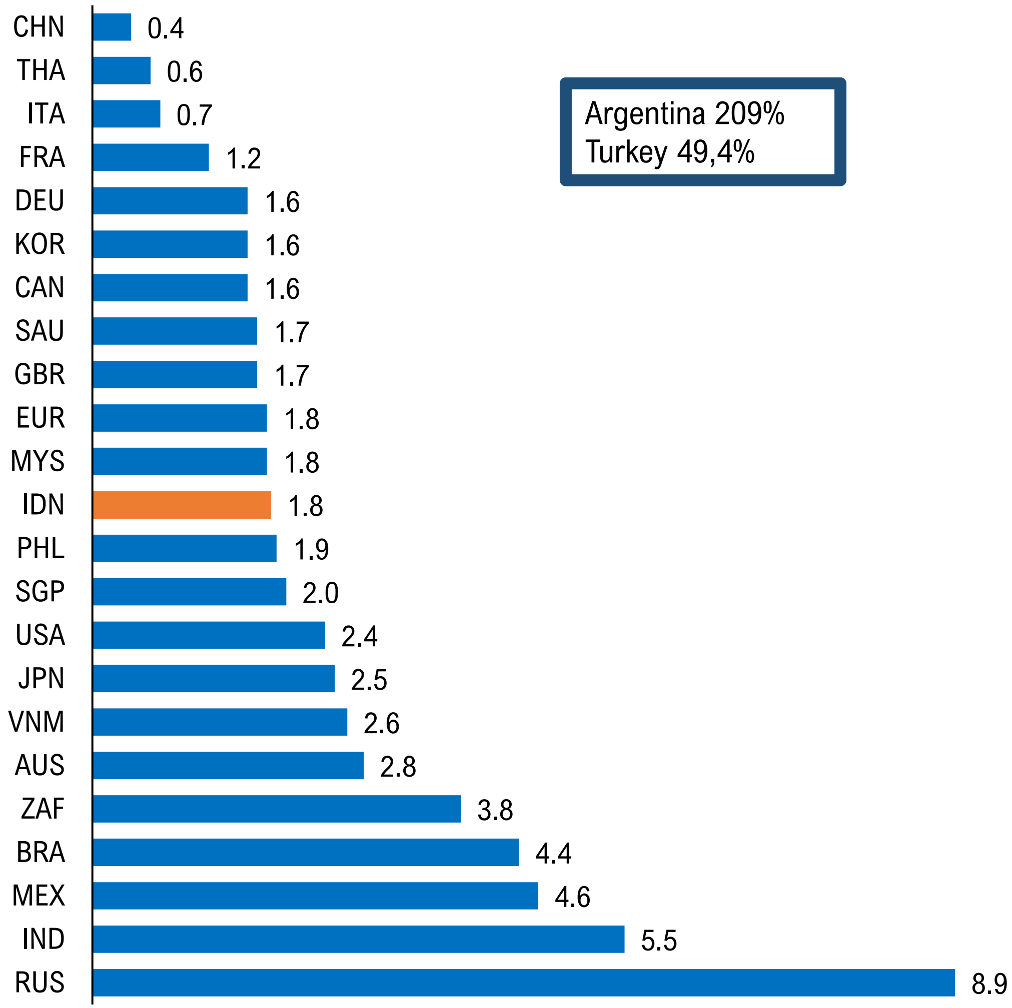
Inflation Rate September 2024: 1,84% yoy, -0,12% mtom, 0,74% ytd

Indonesia's Inflation Rate (%, yoy)



Source: BPS

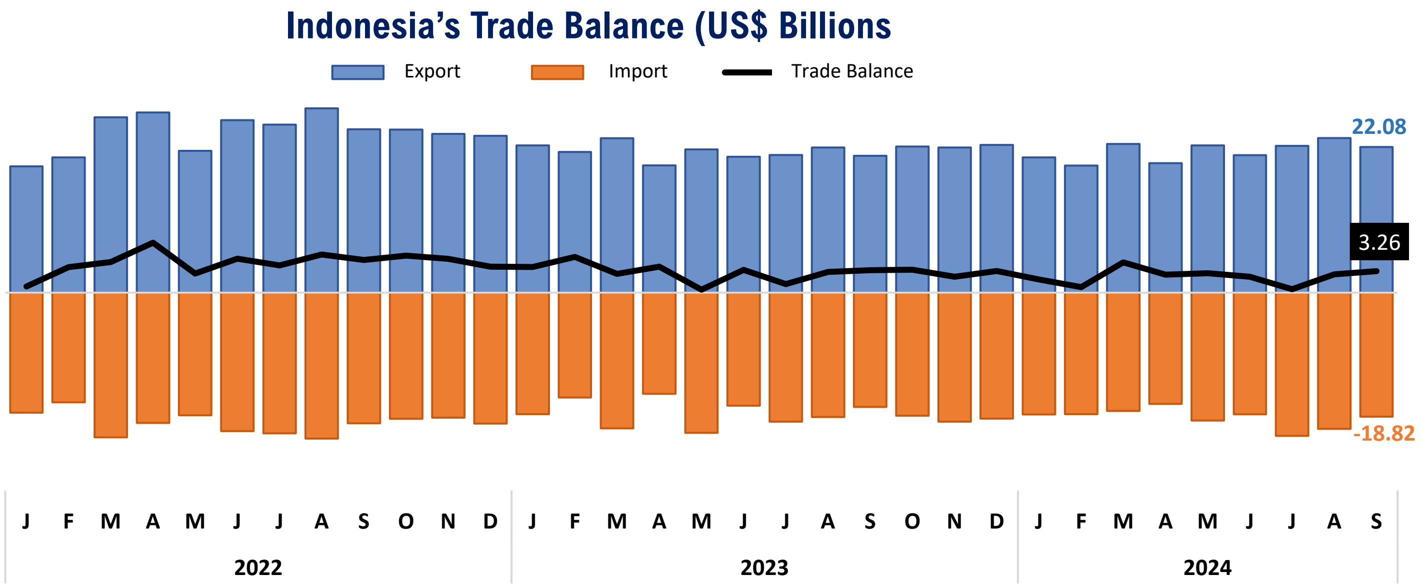
September 2024 Inflation Rate by Country (% eop, yoy)



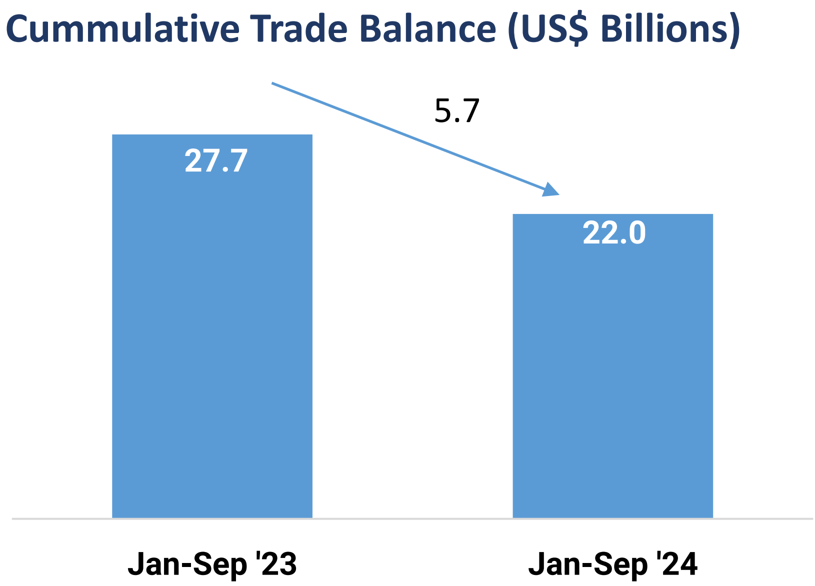
Argentina 209%
Turkey 49,4%

Source: Bloomberg

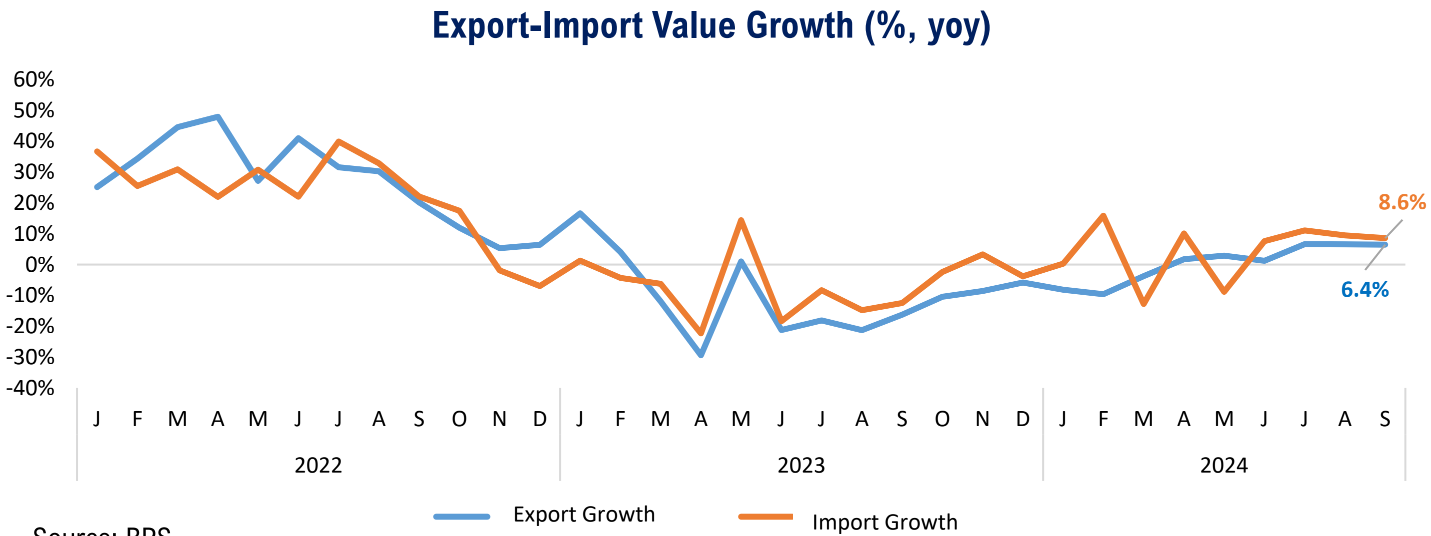
TRADE BALANCE MAINTAINS A SURPLUS, BUT GOING FORWARD GLOBAL RISKS NEED TO BE MITIGATED



Indonesia’s Trade Balance (US$ Billions



Cummulative Trade Balance (US$ Billions)



Export-Import Value Growth (%, yoy)

Source: BPS

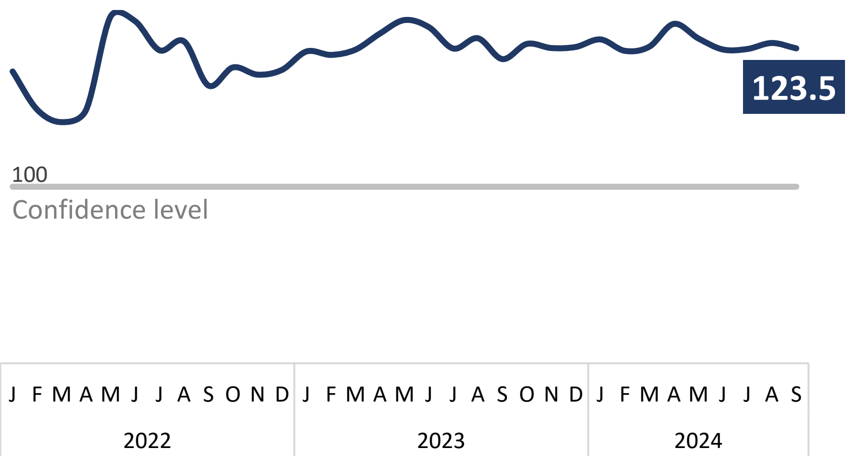
- Exports for September 2024 were recorded at USD22.1 billion (grow 6.4%, yoy), while imports reached USD18.8 billion (grow 8.6%, yoy).
- Trade balance continues to recorded a surplus, although it has decreased on a cumulative basis.
- A strong export performance, combined with an increase in capital goods and raw material imports is expected to boost economic growth, create more jobs, and enhance national income.

SHORT-TERM PROSPECT REMAINS RELATIVELY STRONG

Consumption remains strong; anticipating global impact on production sectors

The Consumers Index remains relatively high

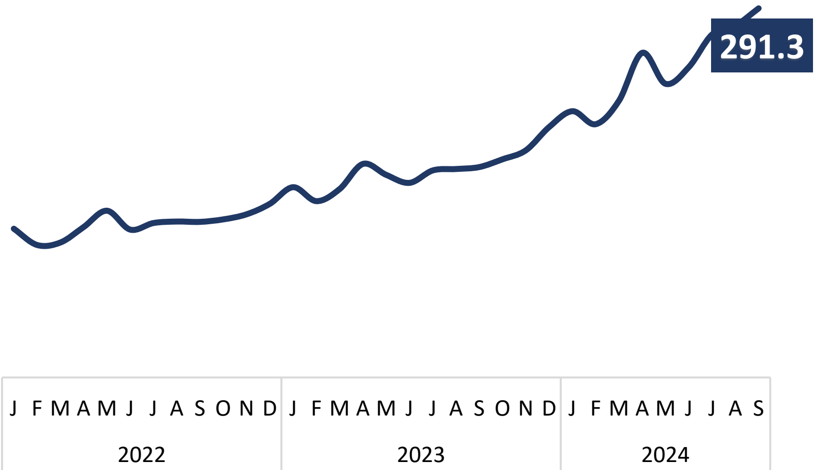
(September, Index)



Source: Bank Indonesia

Consumption continues to grow steadily

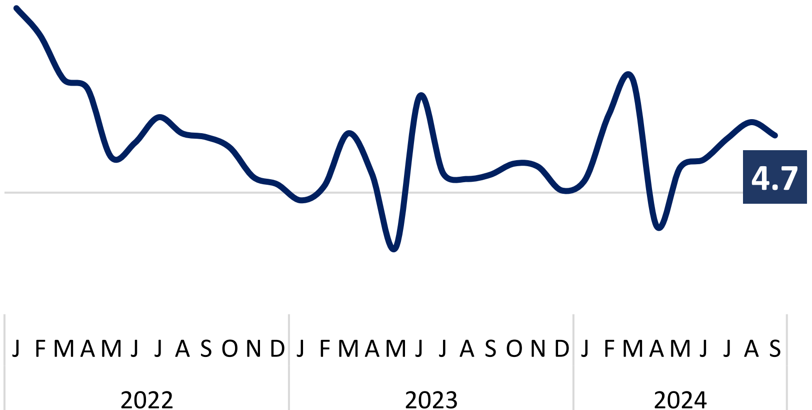
(September,Index)



Source: Mandiri Institute, as of 29 September 2024

Real Sales Index start to grow at slower pace

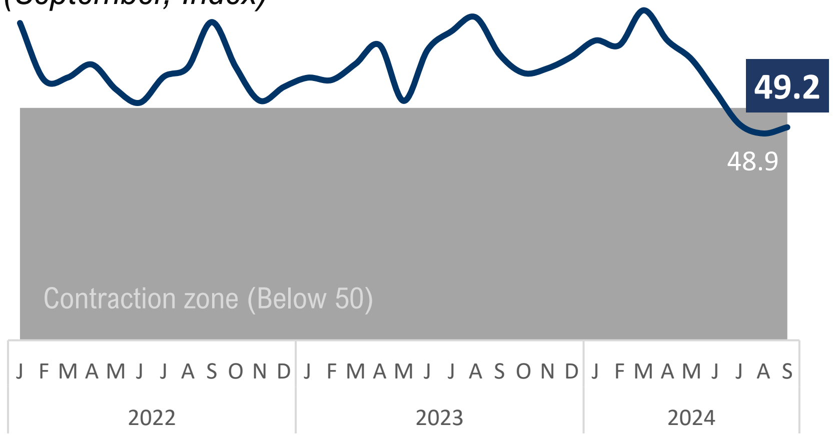
(September, % yoy)



Source: Bank Indonesia

Manufacturing activity is still at contractionary zone, but doing better than last month

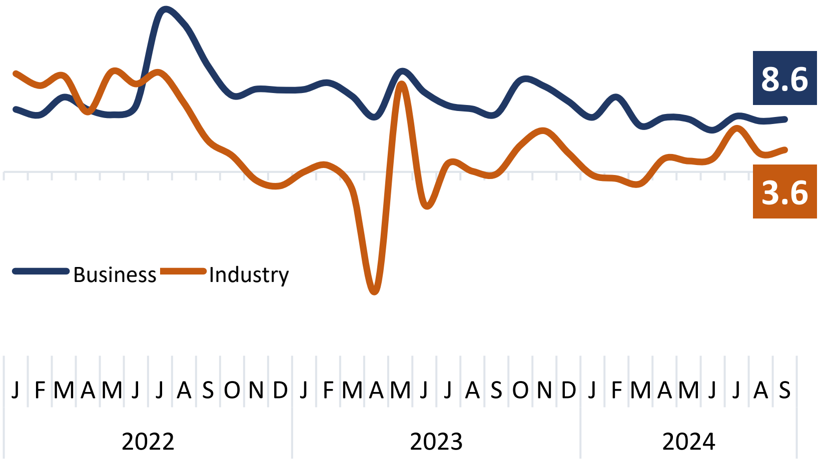
(September, Index)



Source: Bloomberg, IHS Markit

Electricity Consumption shows positive growth

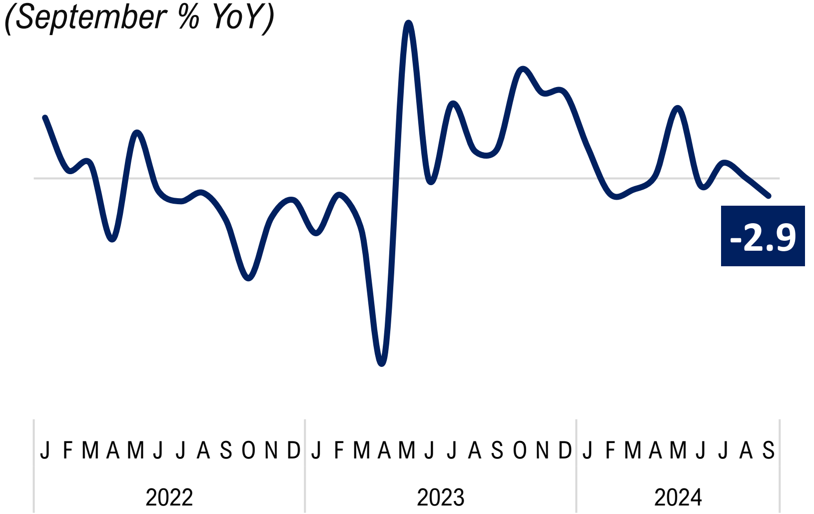
(September, % YoY)



Source: State Electricity Company

Cement consumption is slowing down

(September % YoY)

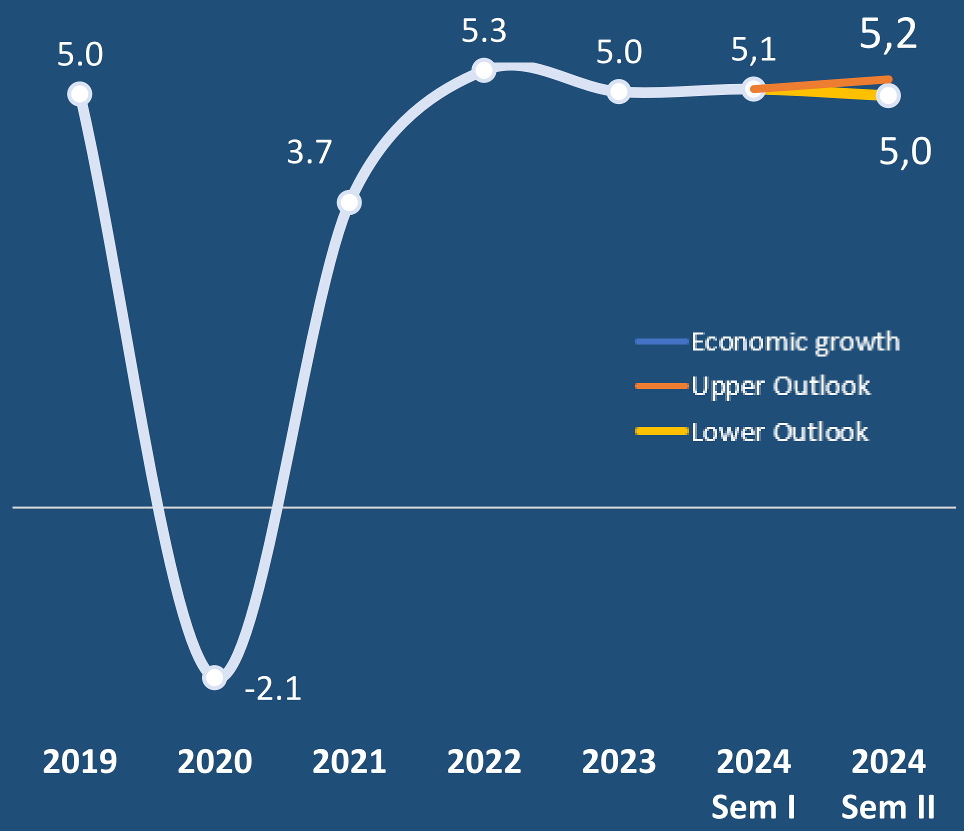


Source: Indonesian Cement Association

STABLE ECONOMIC OUTLOOK IN 2024

National Economic Growth (YoY, %)

Source: Statistics Indonesia, MoF's Estimate



- Domestic consumption is expected to drive economic growth, supported by 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 Oct-24	2024 : **5.0** 2025 : **5.1**	THE WORLD BANK EAP Oct-24	2024 : **5.0** 2025 : **5.1**
ADB ADO Apr-24	2024 : **5.0** 2025 : **5.0**	OECD Econ Outlook Sep-24	2024 : **5.1** 2025 : **5.2**
Bloomberg Consensus Forecast	2024 : **5.0** 2025 : **5.1**		

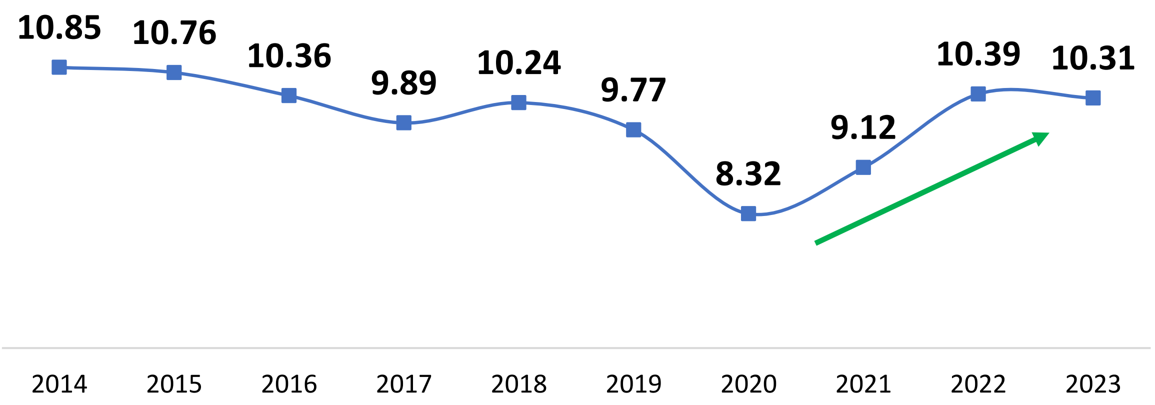
02

FISCAL UPDATES

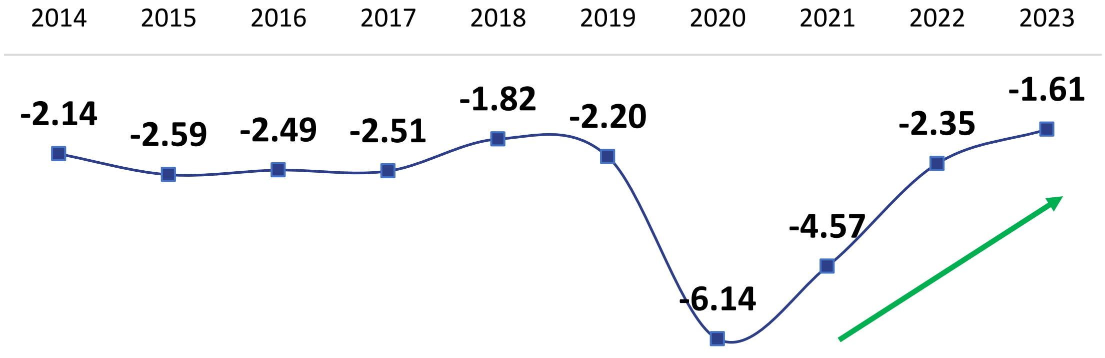
OVERALL FISCAL POSITION CONTINUED TO IMPROVE

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

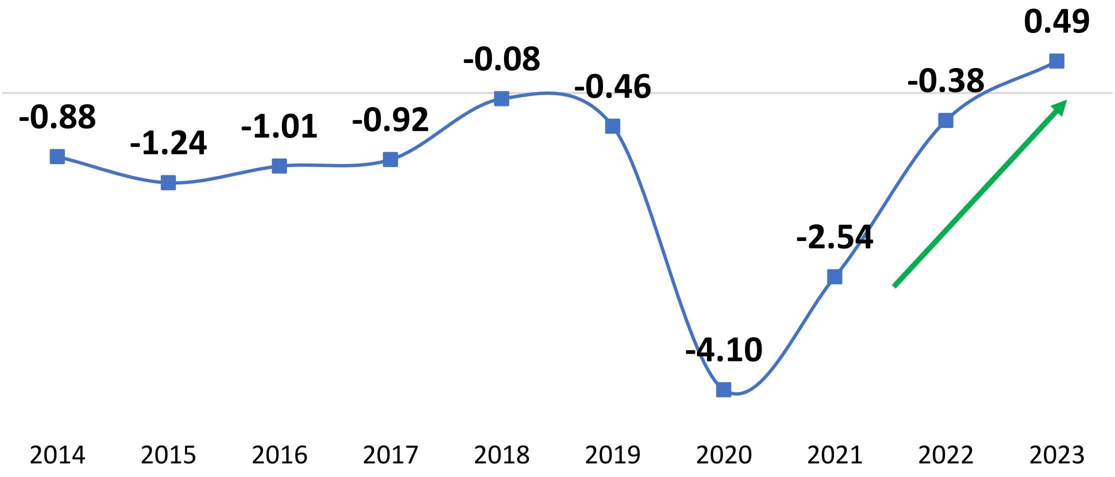
Tax ratio increases in line with stronger recovery (% GDP)



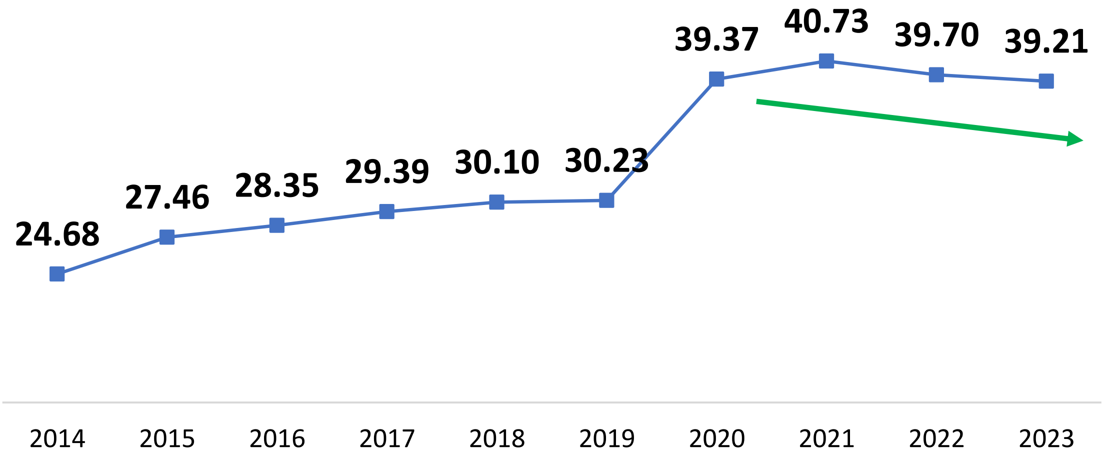
Overall budget position improved significantly (% GDP)



Surplus Primary Balance (% GDP)



Debt Ratio Declines(% of GDP)



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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)**
% to GDP	*(2.27)*	*0.71*		*(1.61)*	*(2.29)*	*(0.68)*		
Financing	**479.9**	**161.1**	**(44.0)**	**356.7**	**522.8**	**291.9**	**55.8**	**81.2**

MACROECONOMIC ASSUMPTIONS FOR THE BUDGET

Indicator	Assumption		
	2024 Budget	2024 Outlook	2025 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

Source: Ministry of Finance

2025 BUDGET

	RAPBN	% PDB	APBN	% PDB
A. Revenue	**2.996,9**	**12,32**	**3.005,1**	**12,36**
I. Tax Revenue	2.490,9	10,24	2.490,9	10,24
1. Tax	2.189,3	9,00	2.189,3	9,00
2. Custom and Excise	301,6	1,24	301,6	1,24
II. Non-Tax Revenue	505,4	2,08	513,6	2,11
III. Grant	0,6	0,00	0,6	0,00
B. Expenditure	**3.613,1**	**14,86**	**3.621,3**	**14,89**
I. Central Govenrment Expenditure	2.693,2	11,08	2.701,4	11,11
1. Line Ministries Expenditure	976,8	4,02	1.160,1	4,77
2. Non-Line-Ministries Expenditure	1.716,4	7,06	1.541,4	6,34
II. Transfer to Region	919,9	3,78	919,9	3,78
C. Primary Balance	**(63,3)**	**(0,26)**	**(63,3)**	**(0,26)**
D. Surplus/(Deficit)	**(616,2)**	**(2,53)**	**(616,2)**	**(2,53)**
% Surplus/ (Deficit) to GDP	***(2,53)***	***(0,01)***	***(2,53)***	***(0,01)***
E. Financing	**616,2**	**2,53**	**616,2**	**2,53**

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

Share to total spending

EDUCATION Rp724.3 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 Rp503.6 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 Rp399.3 T

- 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 Rp217.4 T

- 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

6%

FOOD SECURITY Rp139.4 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

3.8%

LAW & DEFENCE Rp376.4 T

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

10.3%

2025 QUICK WIN UNDER THE NEW GOVERNMENT

Has been allocated in Line Ministry Expenditure Rp121T

Nutritious Meal Program

Rp71,0 T

Providing nutritious meal to pregnant women, breastfeeding mothers, toddlers, and students at all levels of education (e.g. preschool, primary education, secondary school)

Health Screening Program

Rp3,2 T

Free health screening for 52.2 million people, include blood pressure and blood sugar screening, and X-rays for catastrophic disease screening

Construction of High-Quality Hospital

Upgrading of type-D hospitals to type-c hospital including improving the infrastructure and health equipment in region level

School Renovation

RP20 T

Renovating including classroom, equipment, and restroom

Integrated Leading School

Physical development of leading schools in 4 locations

National, Region, and Village Food Barn

Rp 15 T

- Intensification 80,000 ha
- eextensification (rice field creation) 150,000 ha

THANK YOU

Check out our Investor Relation Unit (IRU) page

Fiskal.id/IRU