



MINISTRY OF FINANCE
REPUBLIC OF INDONESIA

RECENT ECONOMIC DEVELOPMENT

August - 2025



Section 1	Strong macroeconomic outlook	2
Section 2	Budget Updates	20
Section 3	Strategic Policy	39



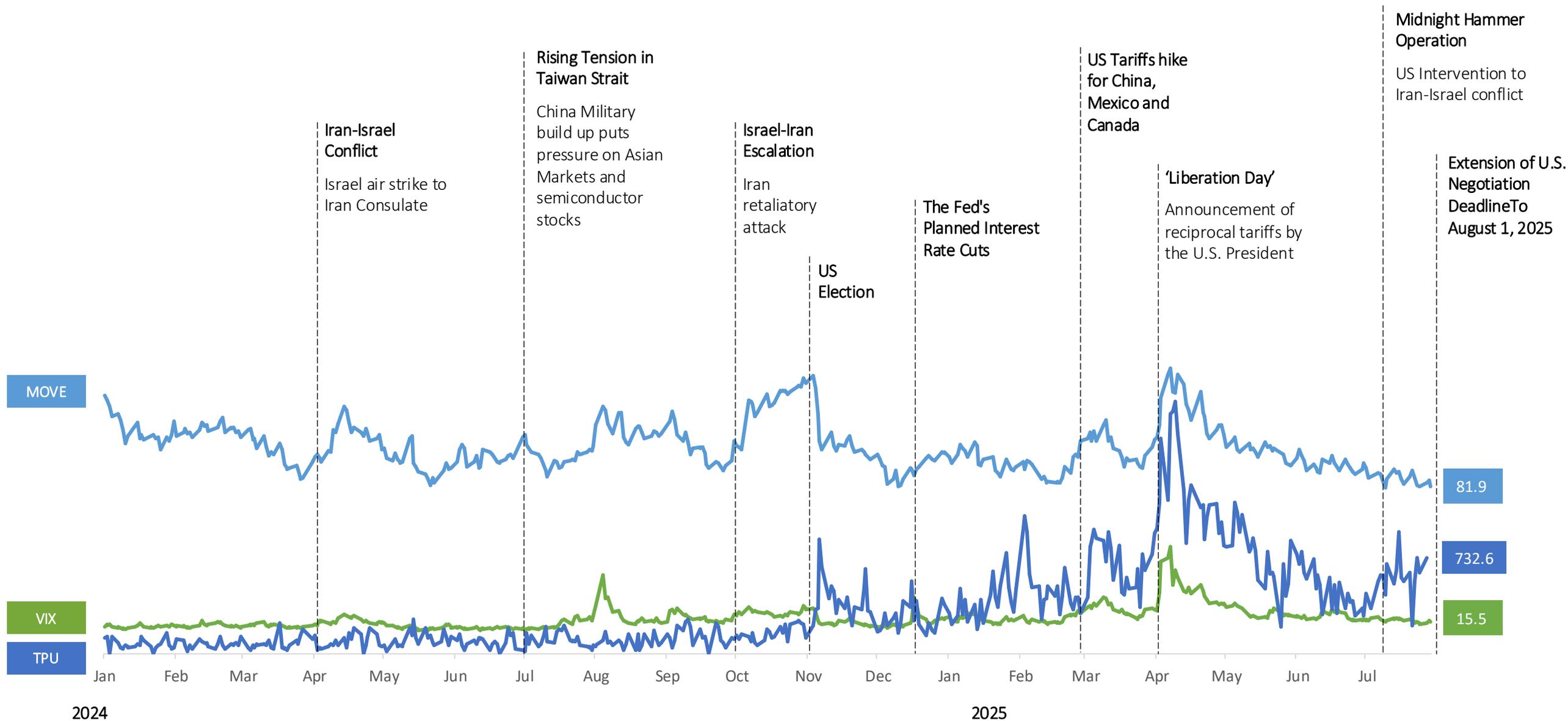
01

STRONG MACROECONOMIC OUTLOOK





Global Economic Landscape Experiences Unprecedented Level of Uncertainty



*MOVE Bond Market Volatility Index; VIX Stock Market Volatility Index; TPU Trade Policy Uncertainty Index

Source: Bloomberg, as of 31 July



Global Economic Outlook Improves, but Remains Vulnerable to Risks

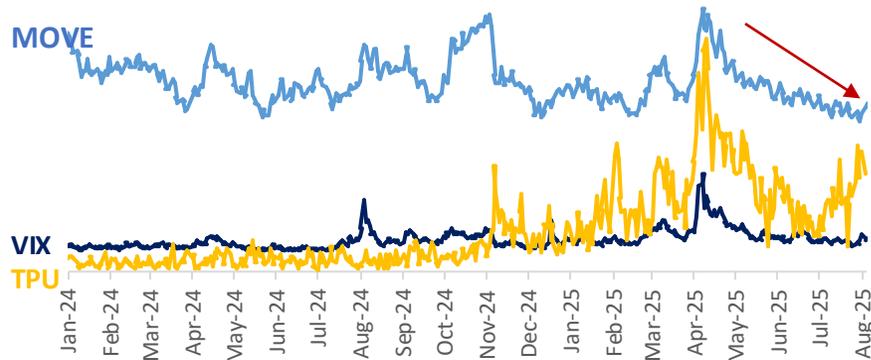
JPMorgan lowers recession probability after Trump's tariff truce with China

JPMorgan previously estimated a 60% chance of a recession this year prior to the tariff pause



IMF upgrades global growth forecast as tariffs ease

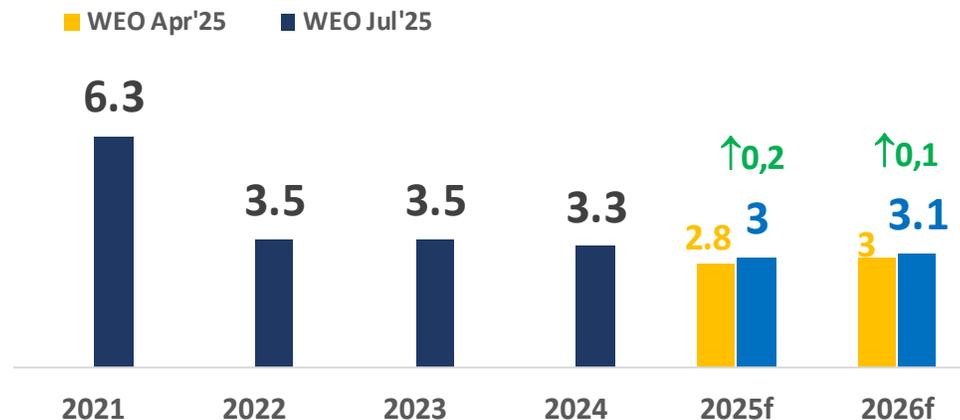
Volatility Indicators Decline



*MOVE Indeks volatilitas pasar obligasi ; VIX Indeks volatilitas pasar saham ; TPU Indeks ketidakpastian kebijakan perdagangan

Economic Growth Projection Revised Upward

Global Growth Projection (yoy, %)

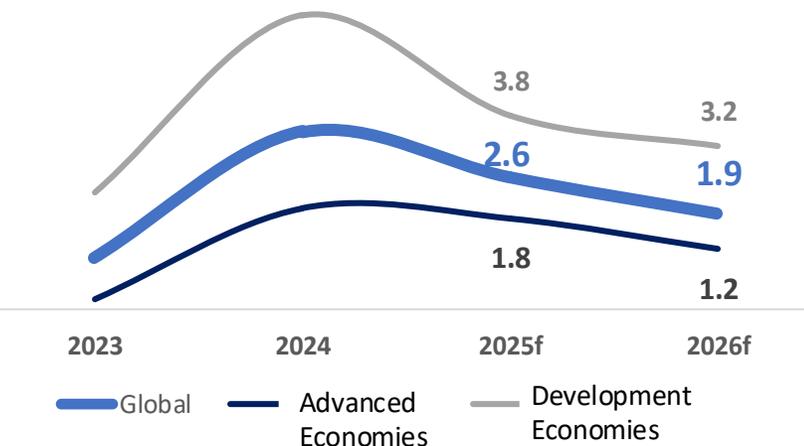


Growth Projections for Several Countries (yoy, %)

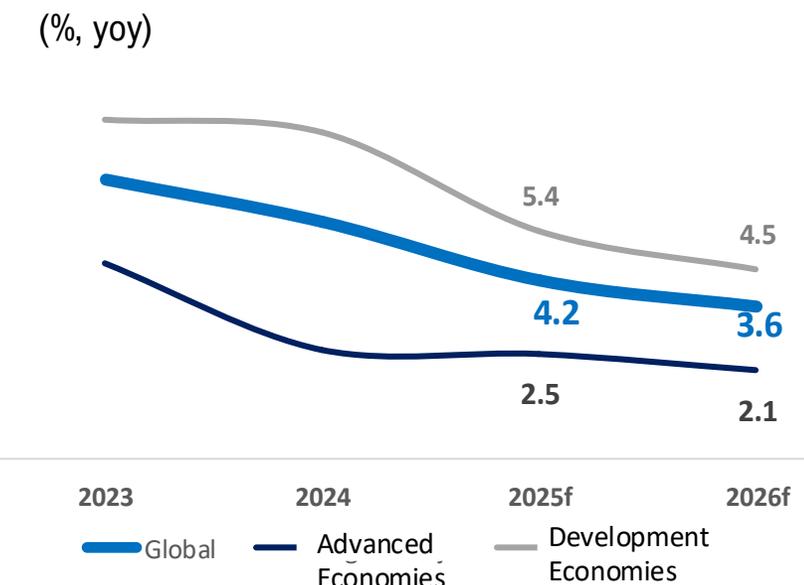
Country	IMF (WEO Juli)			
	2025f		2026f	
US	1,9	+0,1	2	+0,3
China	4,8	+0,8	4,2	+0,2
EU	1,3	+0,1	1,4	-0,1
Japan	0,7	+0,1	0,5	-0,1
India	6,4	+0,2	6,4	+0,1
Indonesia	4,8	+0,1	4,8	+0,1

Source: IMF, Bloomberg, TPU

Trade Volume Projection Rises Due to Frontloading



Inflation Projection Continues Downward Trend





Q2 2025 Growth Remains Resilient Amid Rising Global Risks

Indonesia Q2 GDP Beats Expectations with Fastest Growth in Two Years

August 05, 2025, 12.42 PM | Source: Reuters

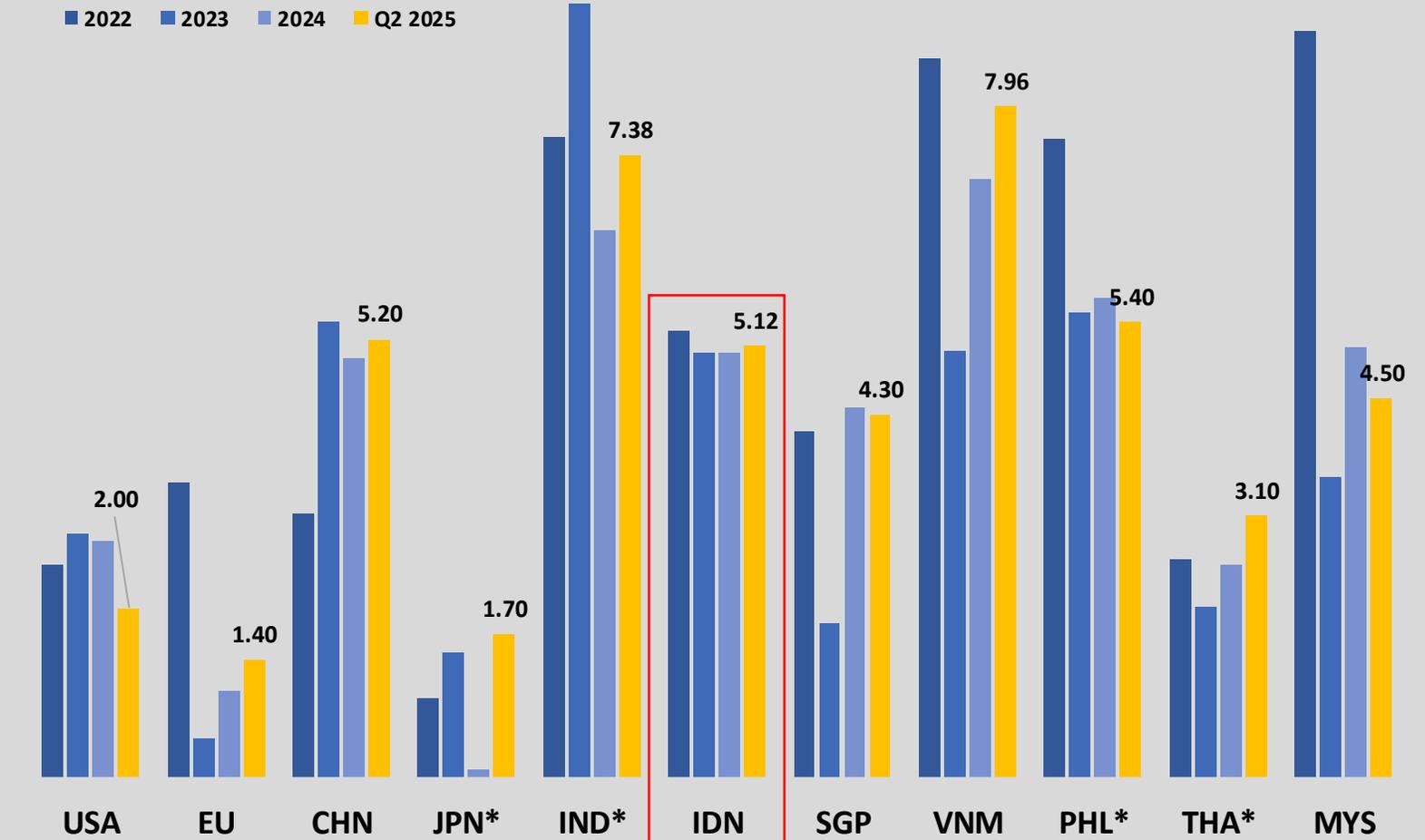


China's Q2 GDP up 5.2%, helped by robust exports

Authorities expected to introduce new payments to boost growth

Rebound in US economic growth in second quarter masks underlying slowing trend

Economic Growth for Selected ASEAN & G20 Countries



*growth Q1 2025

Source: Bloomberg



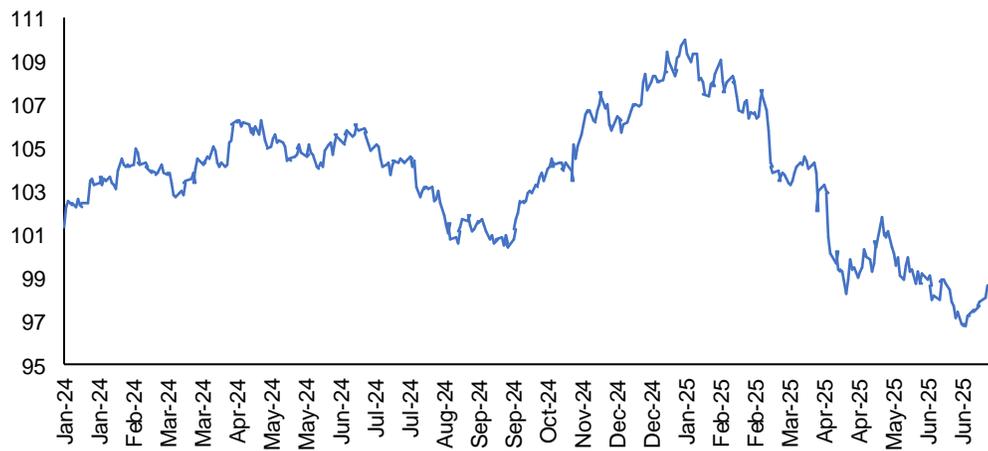
Global Market Strain Intensifies on Tariff Announcement and Middle East Conflict Tensions

UST 10Y vs UST 2Y



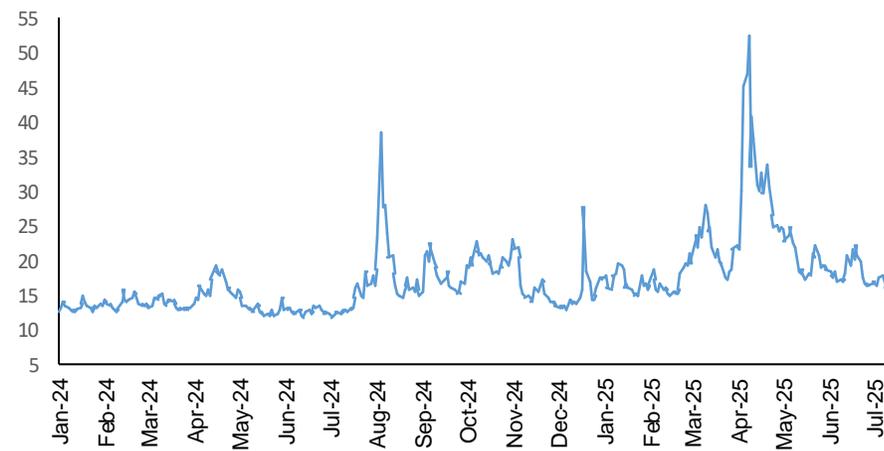
The 10Y and 2Y U.S. Treasury yields rose following the tariff announcement, briefly declined with the 90-day delay, and remained elevated after the trade agreement with China.

DXY Index



The U.S. Dollar Index fell after the tariff announcement, temporarily rose and fell again, but showed a rising trend since early July at the end of 90-days tariff delay.

VIX Index



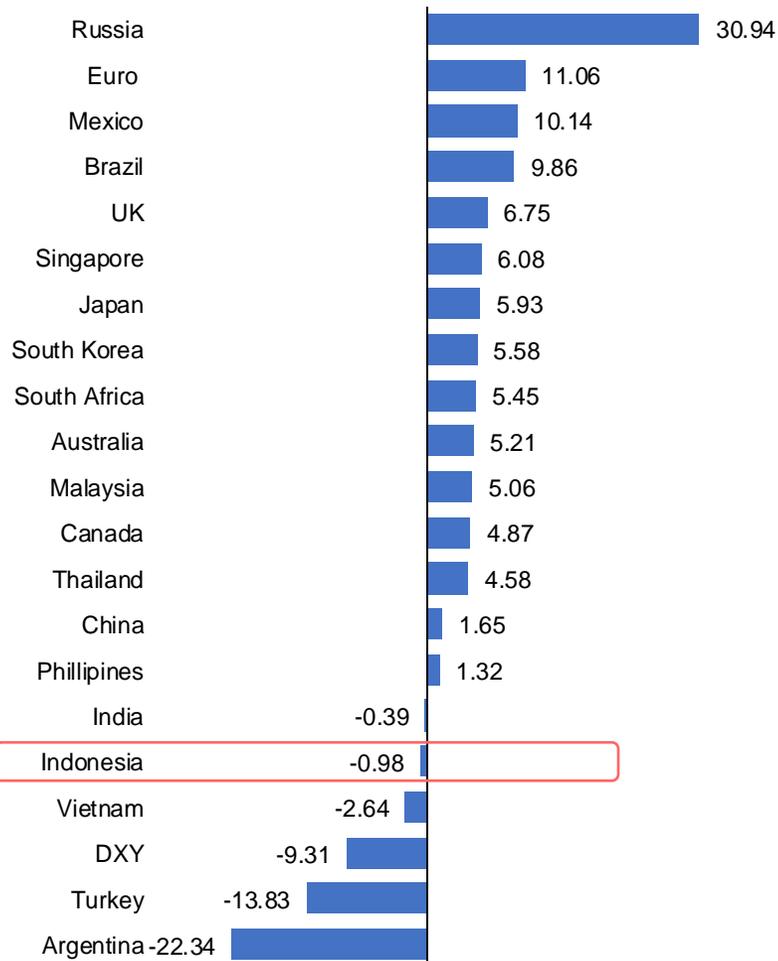
The VIX Index (a measure of stock market volatility) spiked to its highest level since the COVID-19 pandemic in early April but has since eased.



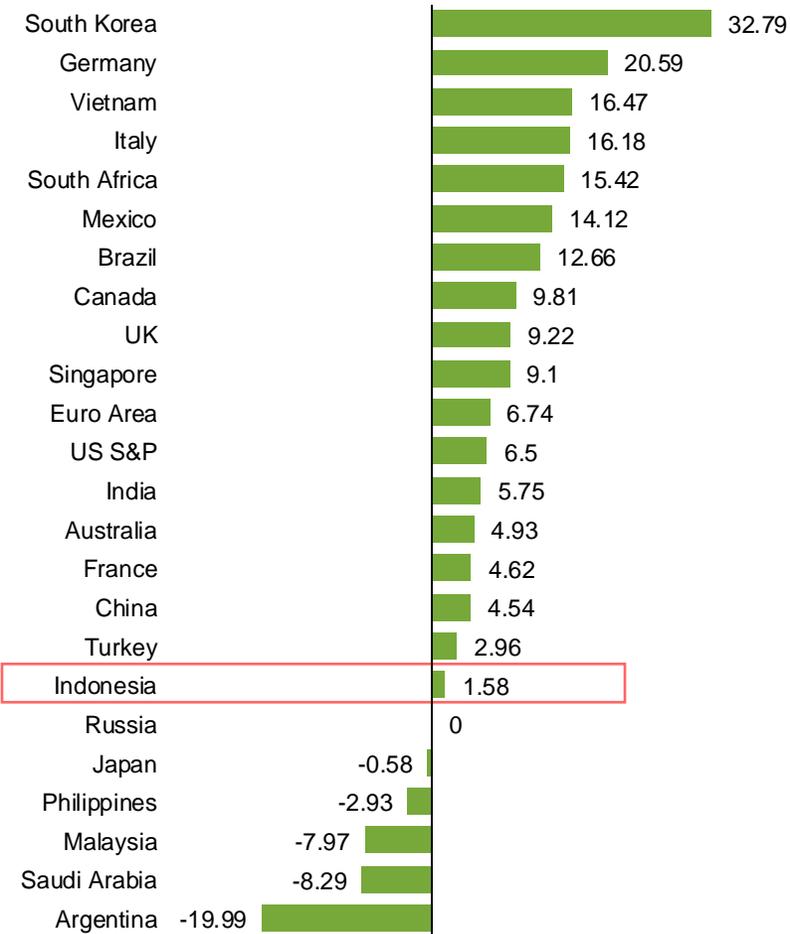
Global Financial Markets Recover, Offering Opportunities Amid Persistent Risks

The performance of the Jakarta Composite Index (JCI) and government bonds (GS) remains positive, reflecting investor confidence in the resilience of the economy and prudent fiscal management that continues to support economic growth

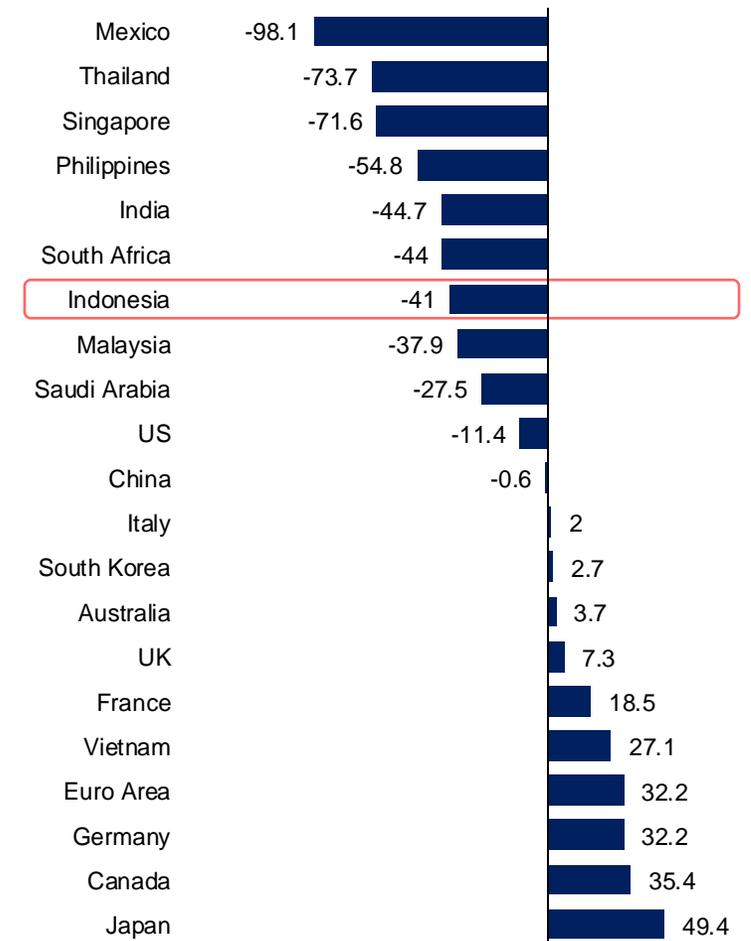
Exchange rate (YTD, %)



Stock price index (YTD, %)



Government bond yield (YTD, bps)

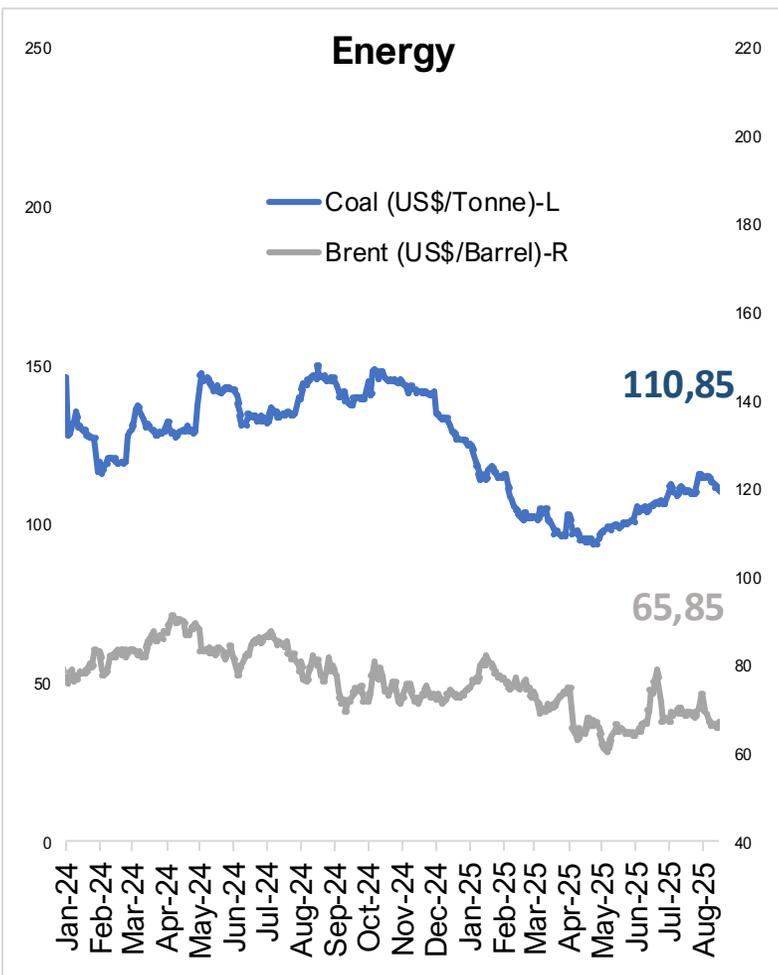


Source: Bloomberg, processed (position 18 July)

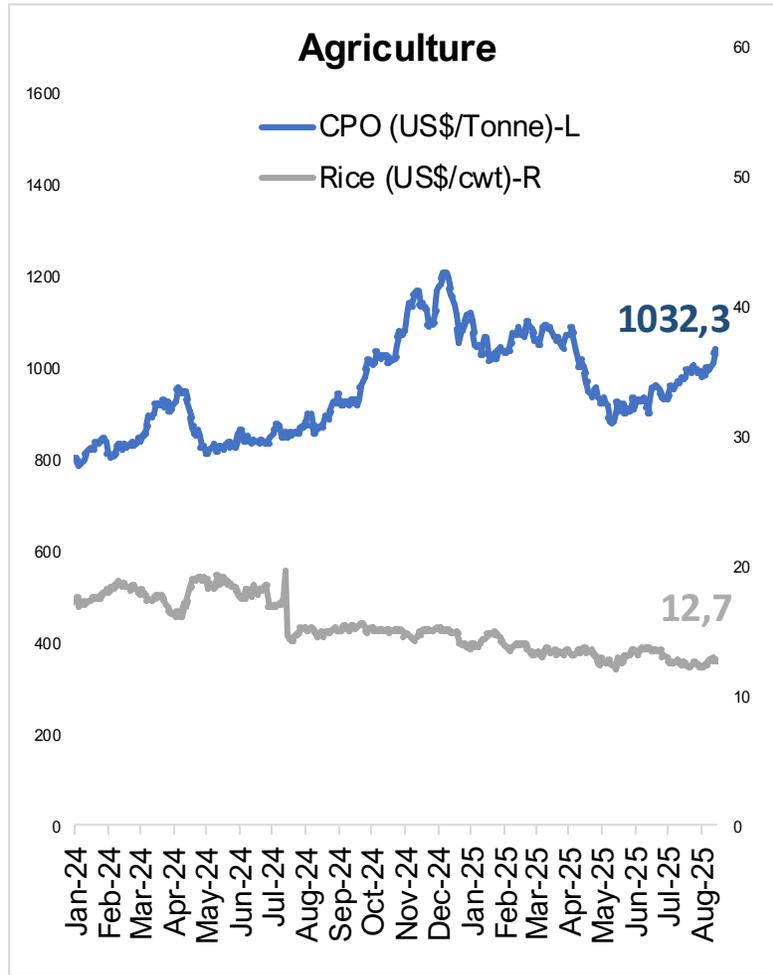


Commodity Prices Remain Volatile

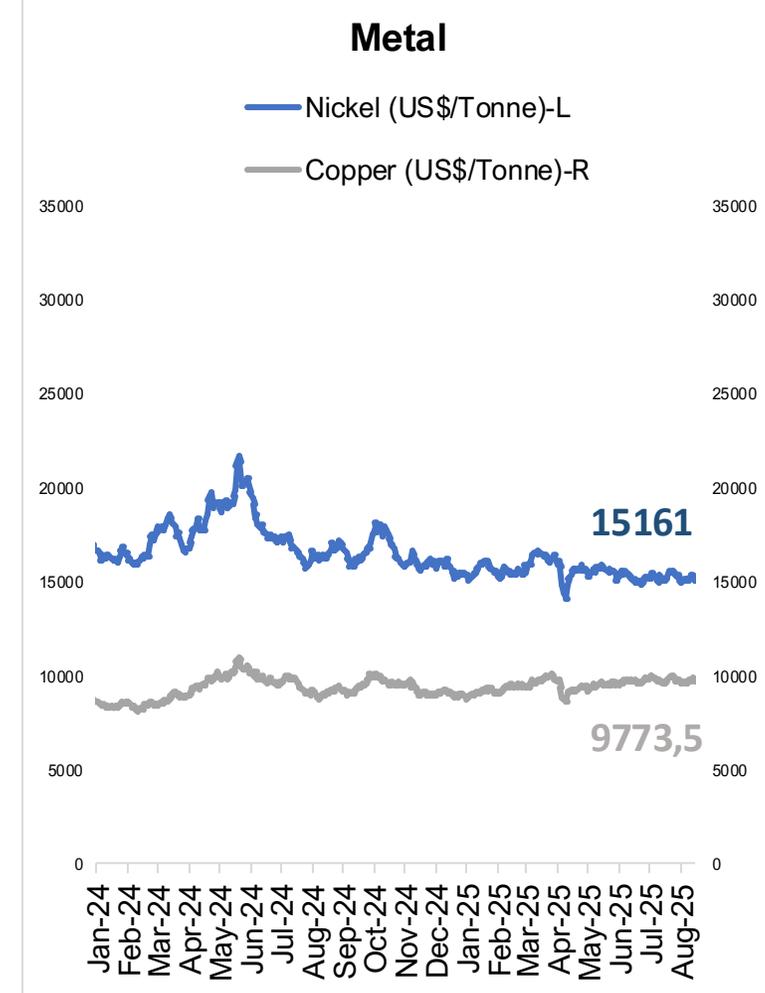
Oil prices slightly weakened following US-Russia talks, while copper prices lower following exclusion of certain copper products from U.S. tariff



	MoM	YtD	YoY
Brent	0,8%	-11,5%	-20,6%
Coal	-4,2%	-11,8%	-15,4%



	MoM	YtD	YoY
CPO	6,1%	-6,1%	16,9%
Rice	0,3%	-9,4%	-23,7%



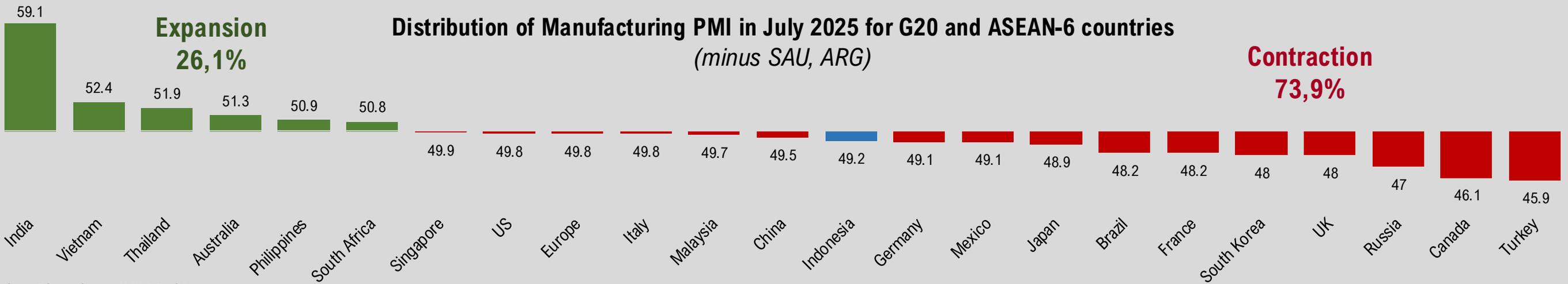
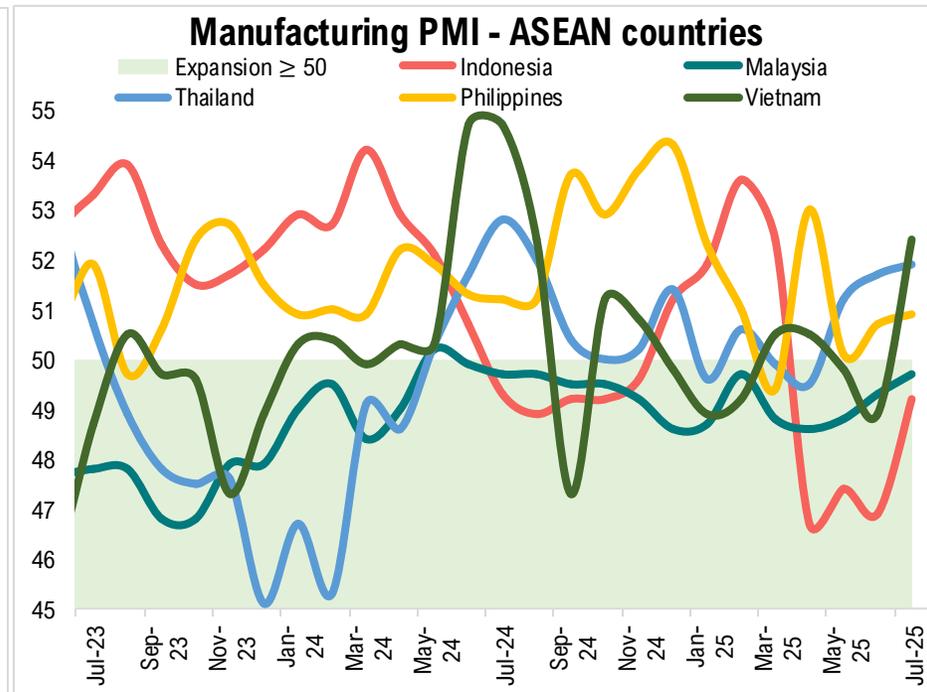
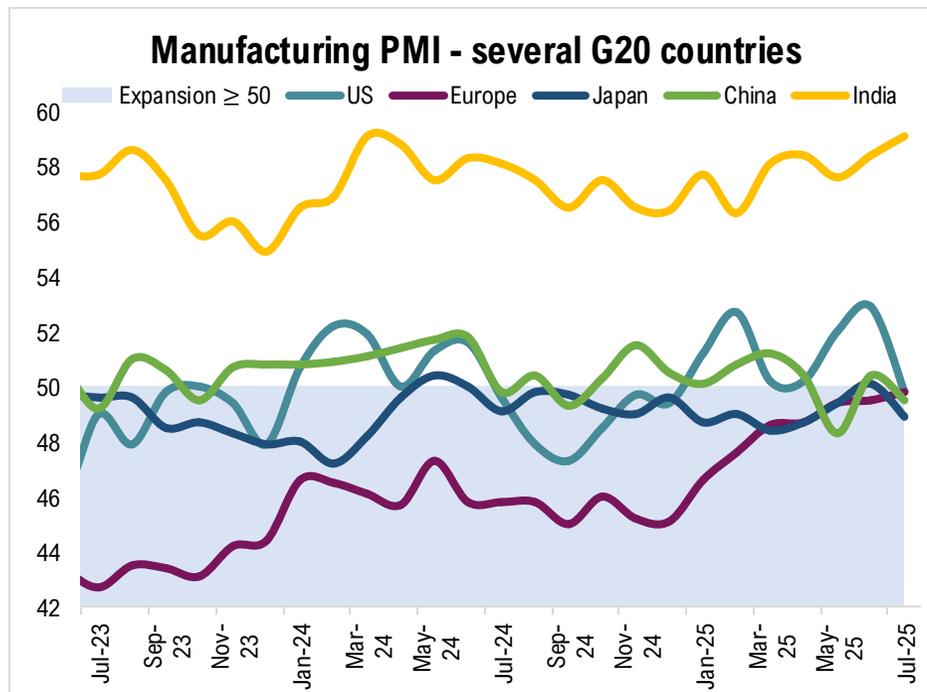
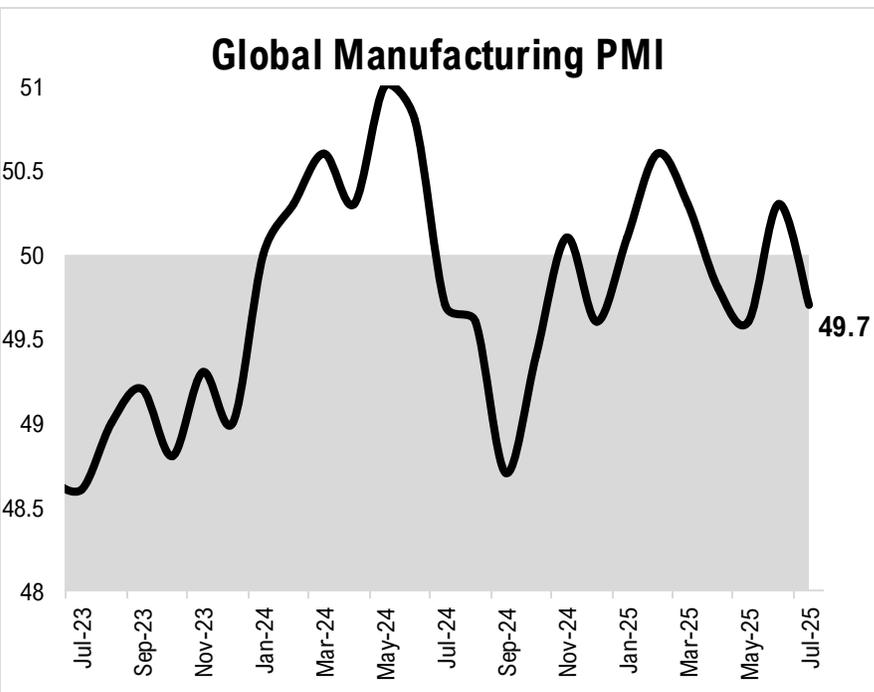
	MoM	YtD	YoY
Nickel	0,1%	-1,1%	-11,4%
Copper	1,3%	11,5%	2,9%

Source: Bloomberg, data updated as of 15 August 2025; YoY figures calculated based on the average price from the start of the year through that date.



Global Manufacturing Activity is Slowing Down Again

Output, new orders, and new export orders weakened. Trade tariffs affected consumption and sentiment, also a decline in production (after front-loaded production)



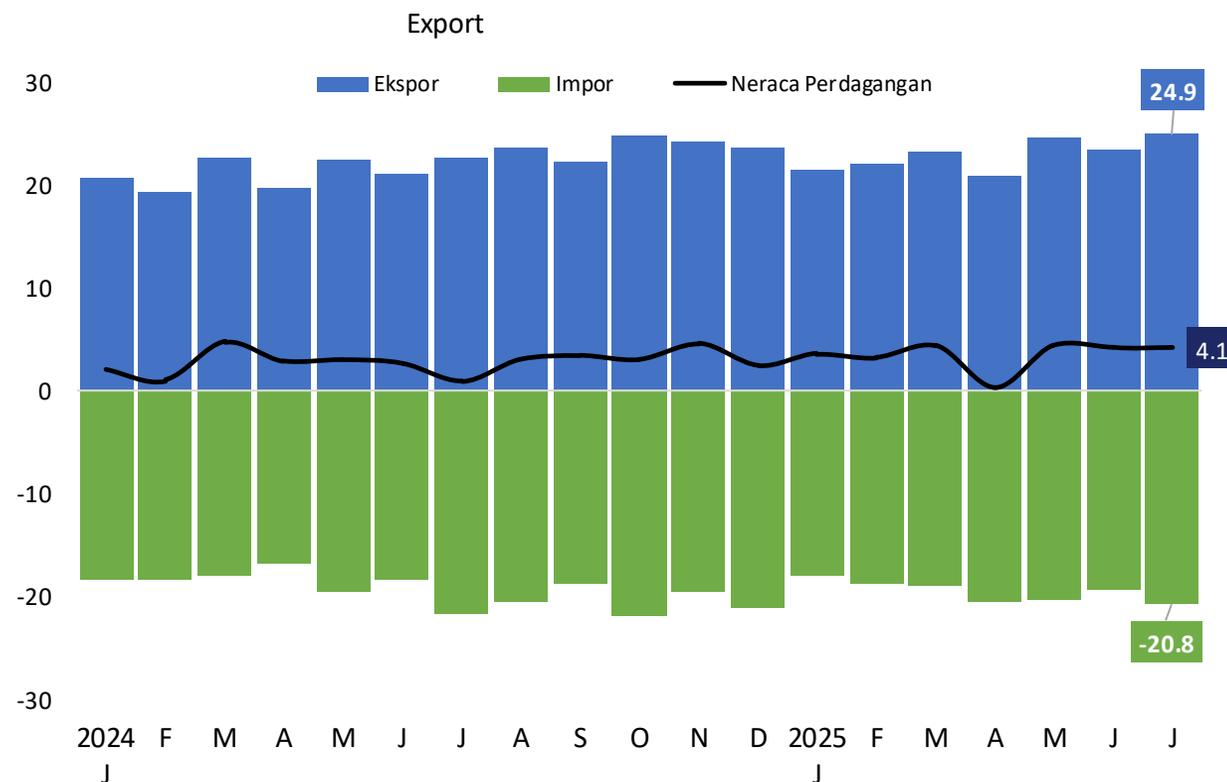


Indonesia Trade Surplus Remains Solid Amid Shifting Trade Landscape

The potential increase in US tariffs continues to be closely monitored, as it may lead to shifts in the structure of the trade balance

- The US is Indonesia's 2nd largest export destination after China (USD 26.3bn in 2024)
- The US accounts for 10% of Indonesian export, [there is promising potential from the rest of the world to be explored](#)

Monthly trade balance 2023–2025 (USD bn)



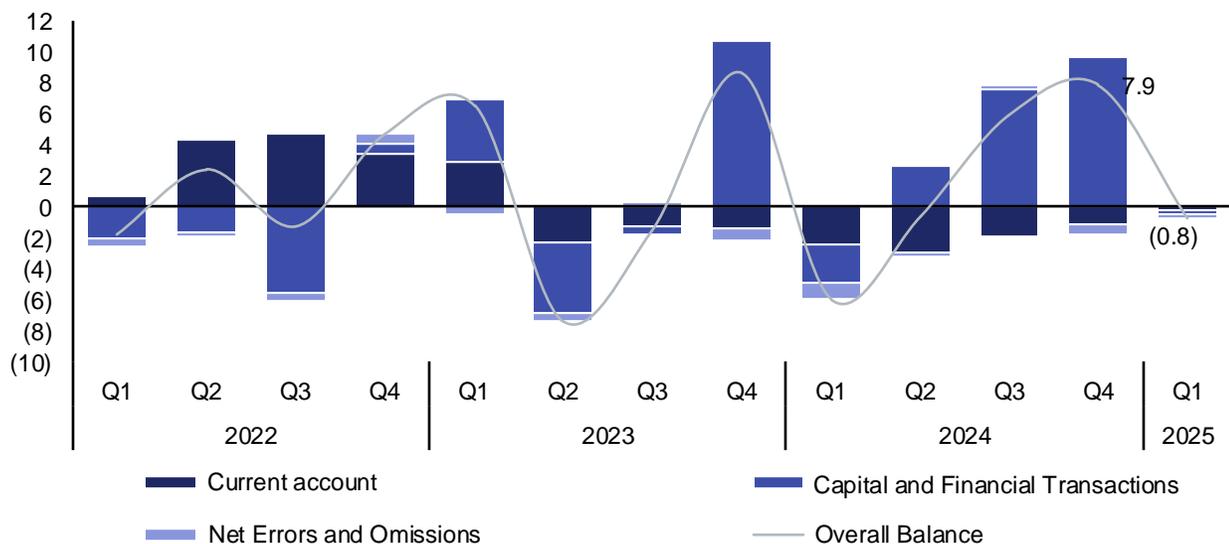
Top 10 export destination countries for Indonesian export (USD bn)

Country	2023	2024	% of total
China	64.9	62.4	24%
USA	23.3	26.3	10%
Japan	20.8	20.7	8%
India	20.3	20.3	8%
Malaysia	12.5	12.0	5%
South Korea	10.3	10.8	4%
Philippines	11.0	10.7	4%
Singapore	12.6	12.2	5%
Taiwan	6.7	6.7	3%
Vietnam	7.5	9.5	4%
Total 10 Countries	189.9	191.7	
Total Export	258.8	264.7	
Share 10 Countries	73.4%	72.4%	

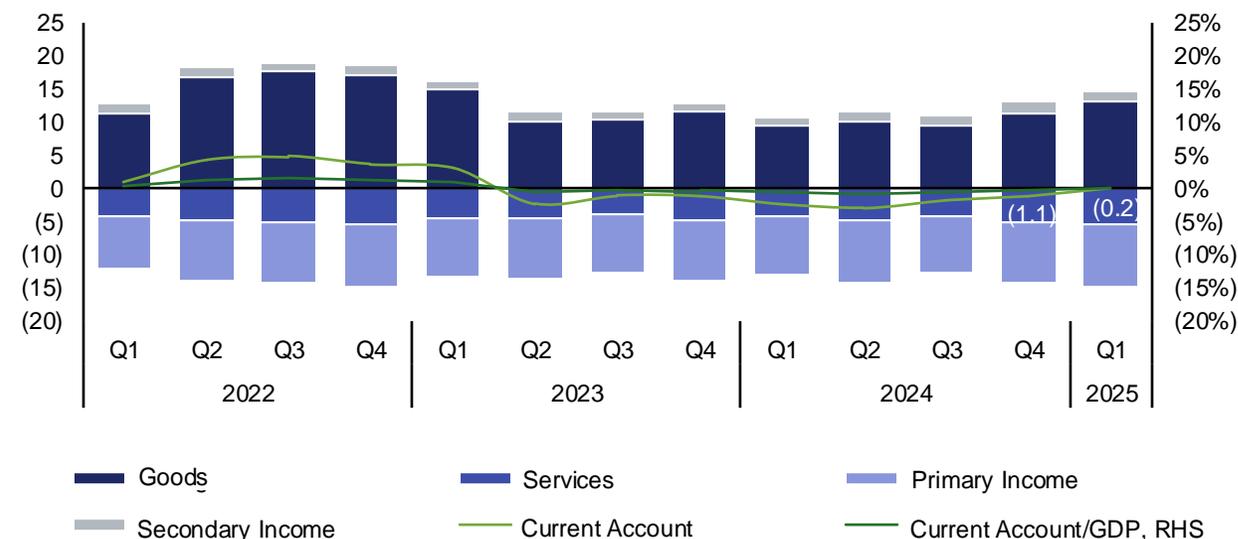


Indonesia's Balance of Payments Performance in Q1 2025 Remains Solid Amid Global Pressures

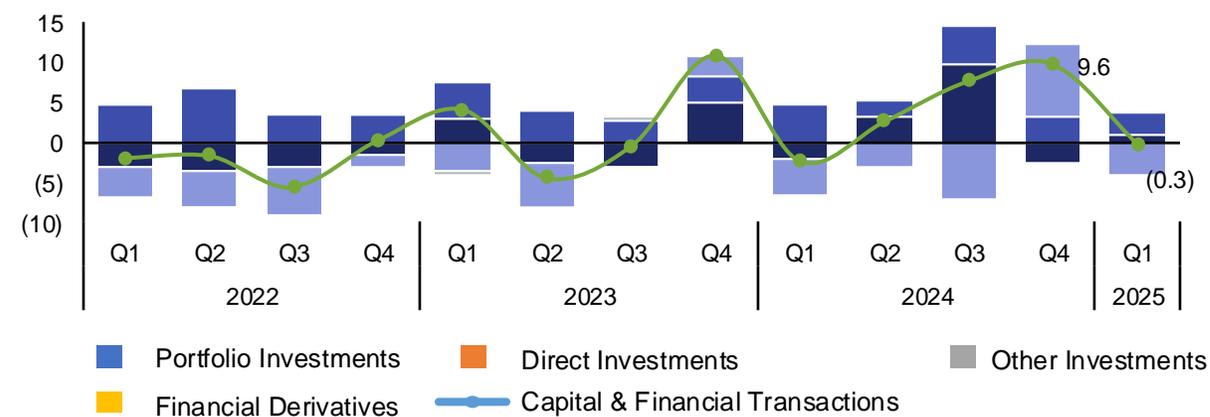
Balance of payment (USDbn)



Current account (USDbn)



Capital and financial account (USDbn)



BoP

Deficit USD 0,8 bn

Equivalent to the financing of **6.5 months of imports** and government external debt payments, and well above the international adequacy standard of around 3 months of imports

Foreign Exchange Reserves

USD 157.1 bn



Indonesia Has Recently Reached Trade Agreement with the US, Improving Trade Outlook

It remain crucial to stay vigilant for emerging opportunities

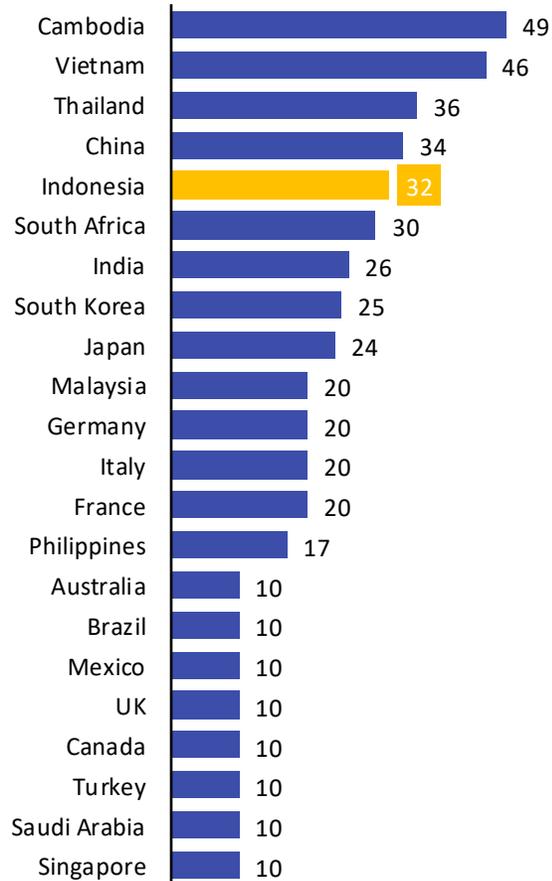
3 April 2025

9 April 2025

Government's measures

16 July 2025

US Reciprocal Tariffs on ASEAN and G20 Countries (%)



Tariff delay for Indonesia and other countries except China to 10% for 90 days until 9 July

Share of Exports to Indonesia's GDP in 2024

22.2% GDP

Share of US Exports to Indonesia's GDP in 2024

2.1% GDP

Most Affected Export Commodities by US Tariffs:

CPO, Electrical Machinery/Equipment, Footwear



Negotiation / Diplomacy

- Tariff adjustment
- Increasing US products import
- Tax and customs reforms
- Adjustment of local content requirement (TKDN)



Deregulation

- Improving investment climate
- Addressing Non-Tariff Barrier by involving related ministries



Countercyclical Measure

- Stimulus package
- Effectivity of Priority Program
- Dananara
- Export facilities & incentives

Trump tariffs

Donald Trump announces trade deal with Indonesia

Jakarta to be hit with 19% tariff on exports to US after talks with Washington

JULY 16, 2025



US-Indonesia Trade Deal

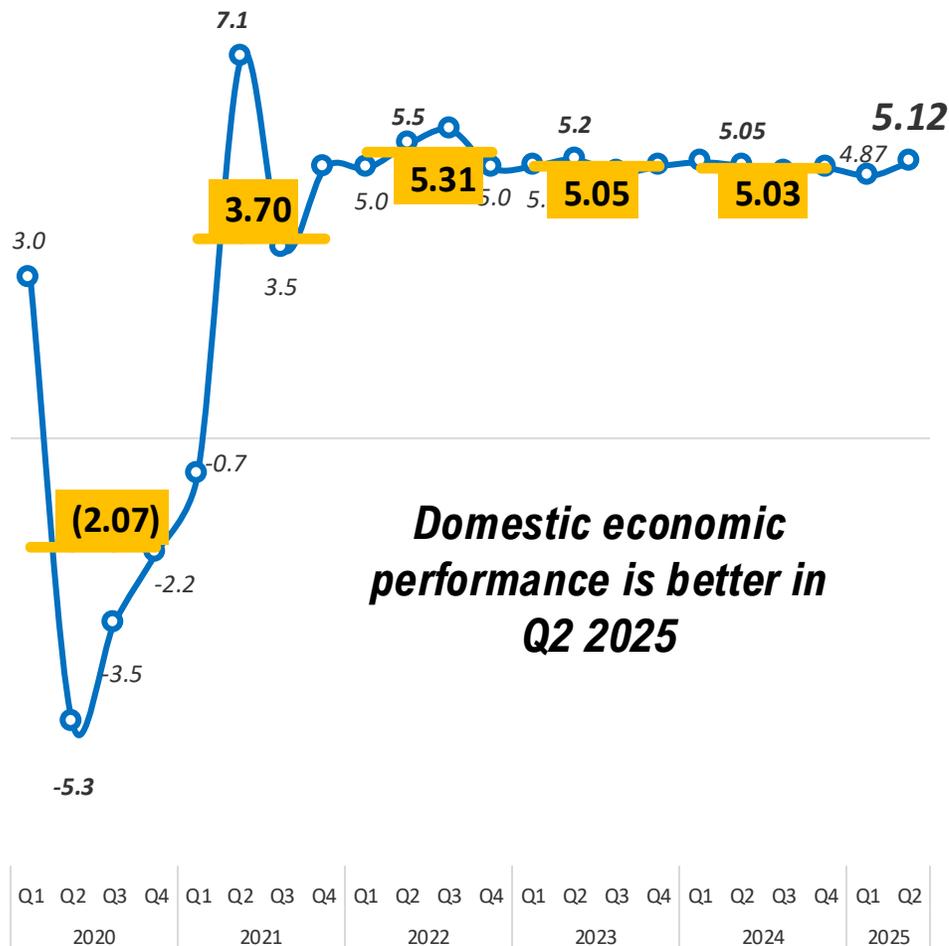
- 19% US tariff on Indonesian exports
- Indonesia impose no tariff to US products
- Indonesia will purchase USD 15 billion in US energy products, USD 4.5 billion in agricultural goods, and 50 Boeing jets.



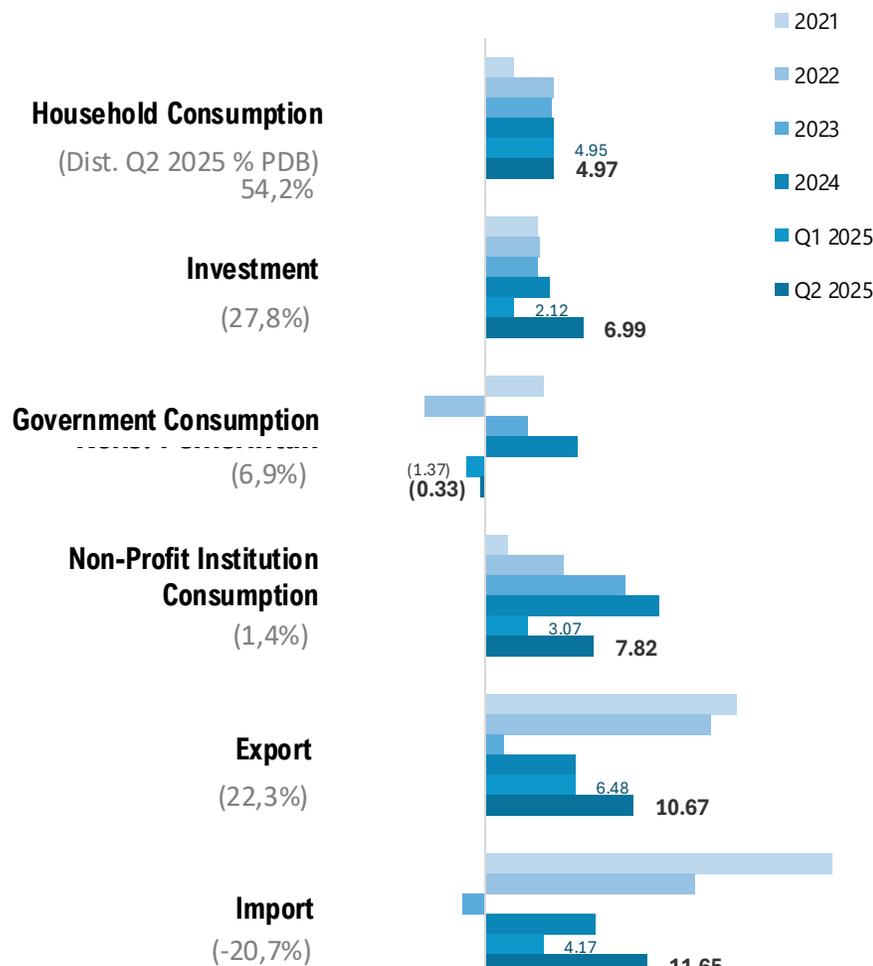
Indonesia's Dynamic Economy Continues to Show Strong Growth Across Sectors

Driven by strong household consumption and expanding investment and export

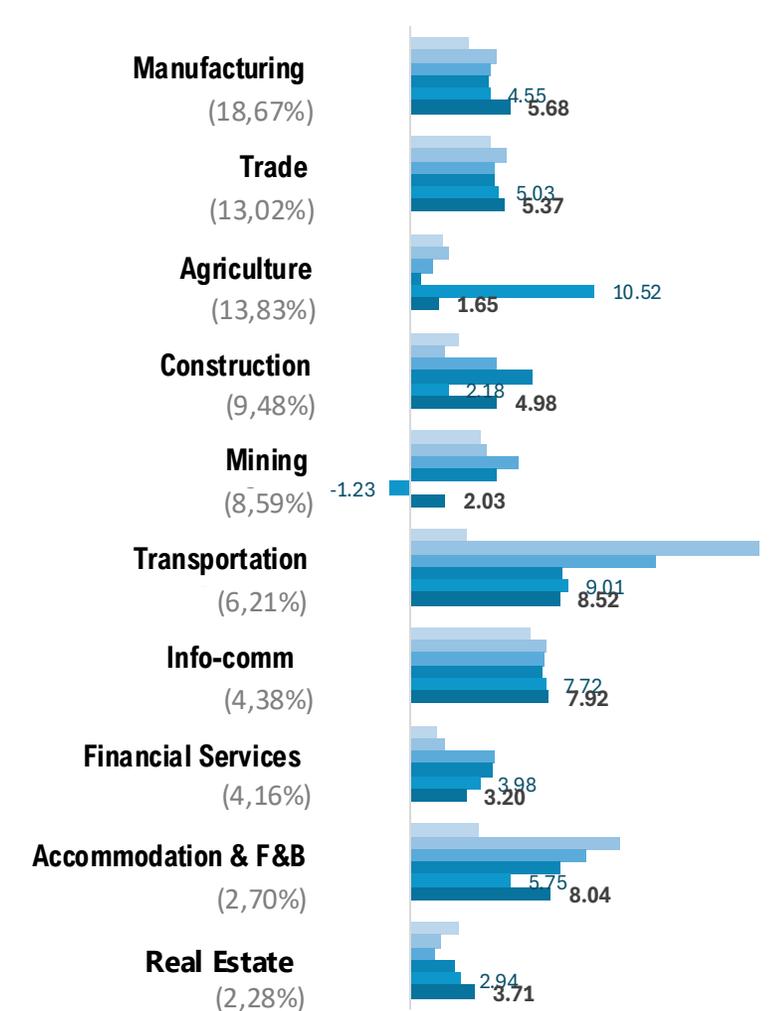
GDP Growth(% ,yoy)



GDP Growth: Expenditure(% ,yoy)



GDP Growth: Production (% ,yoy)





INFLATION RECORDED AN INCREASE IN JULY

Influenced by rising of food prices, while core and AP inflation moved steadily

July 2025 Inflation Snapshot



CPI

2,37%
(YoY)



CORE

2,32%
(YoY)



VF

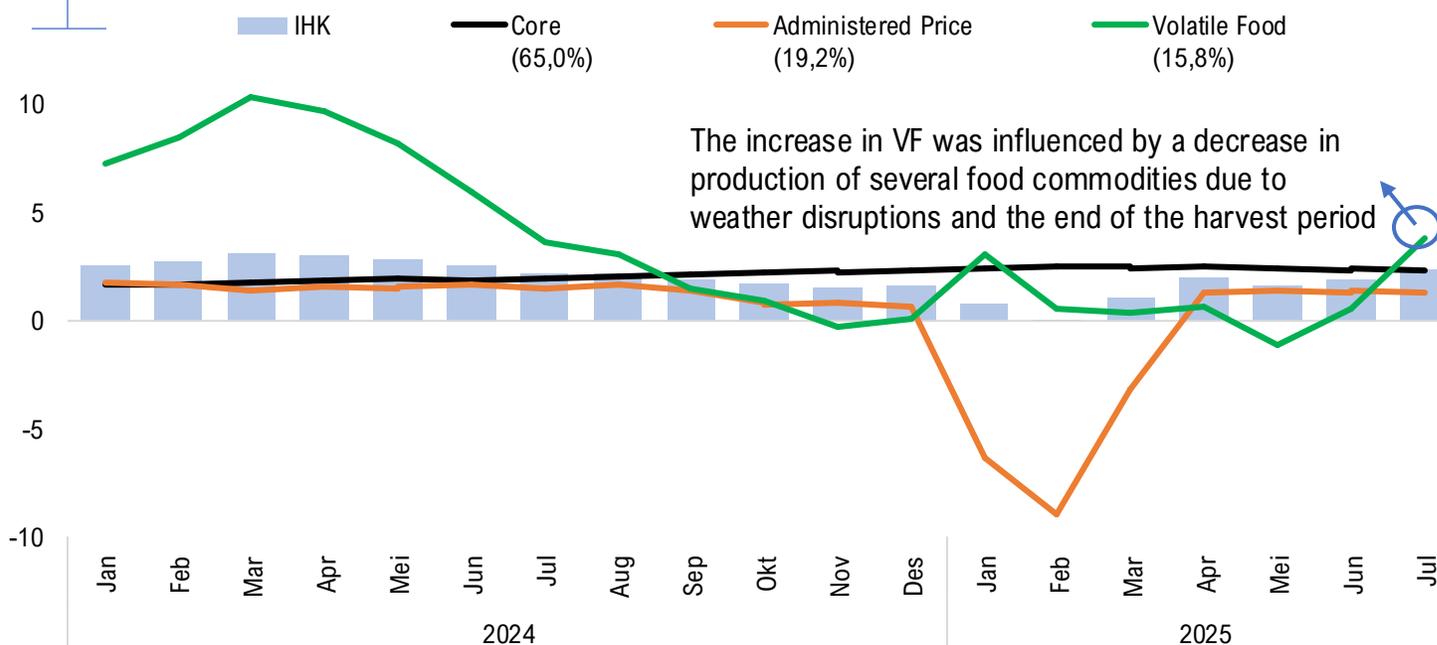
3,82%
(YoY)



AP

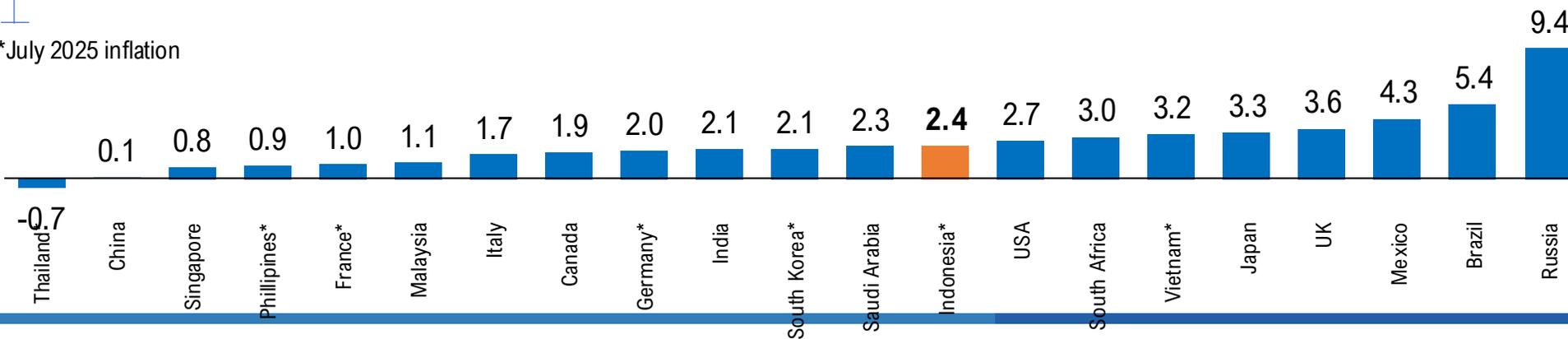
1,32%
(YoY)

Indonesia's Inflation Development



June Inflation by Country (% YoY)

* July 2025 inflation



Argentina 39,4%



Turkiye* 33,5%

Source: BPS, Trading Economics

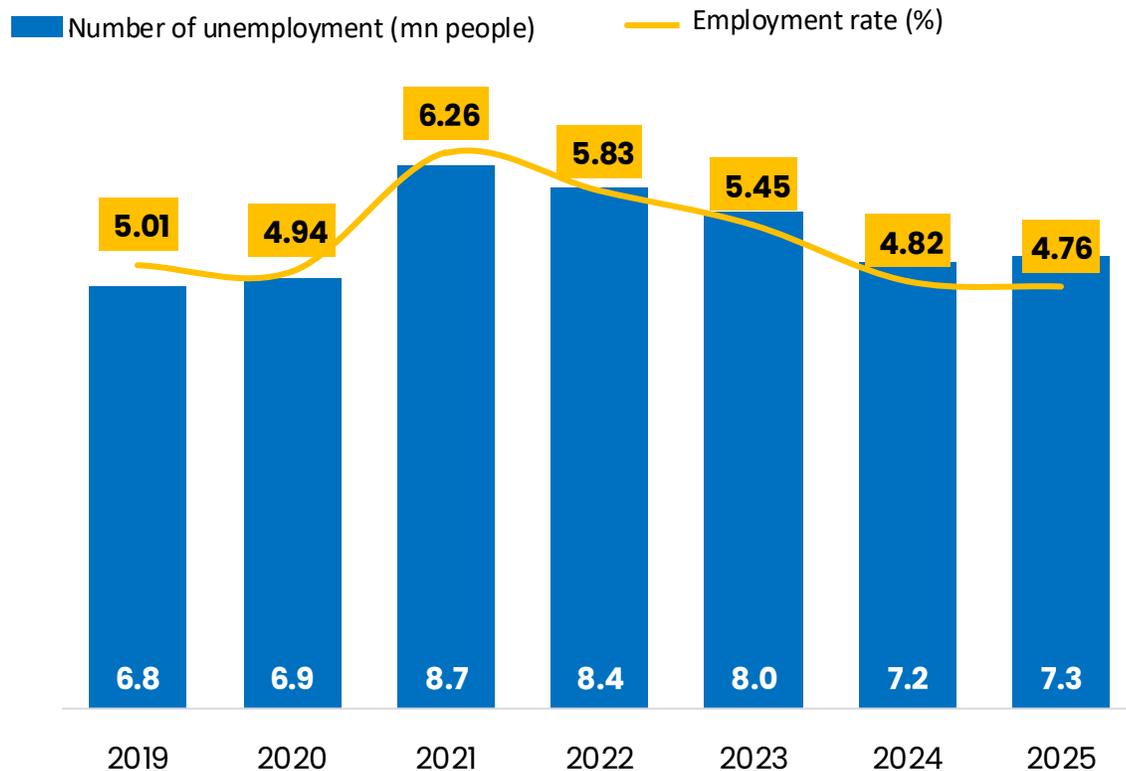


Resilient Growth and Stable Prices Support Ongoing Improvement in Welfare

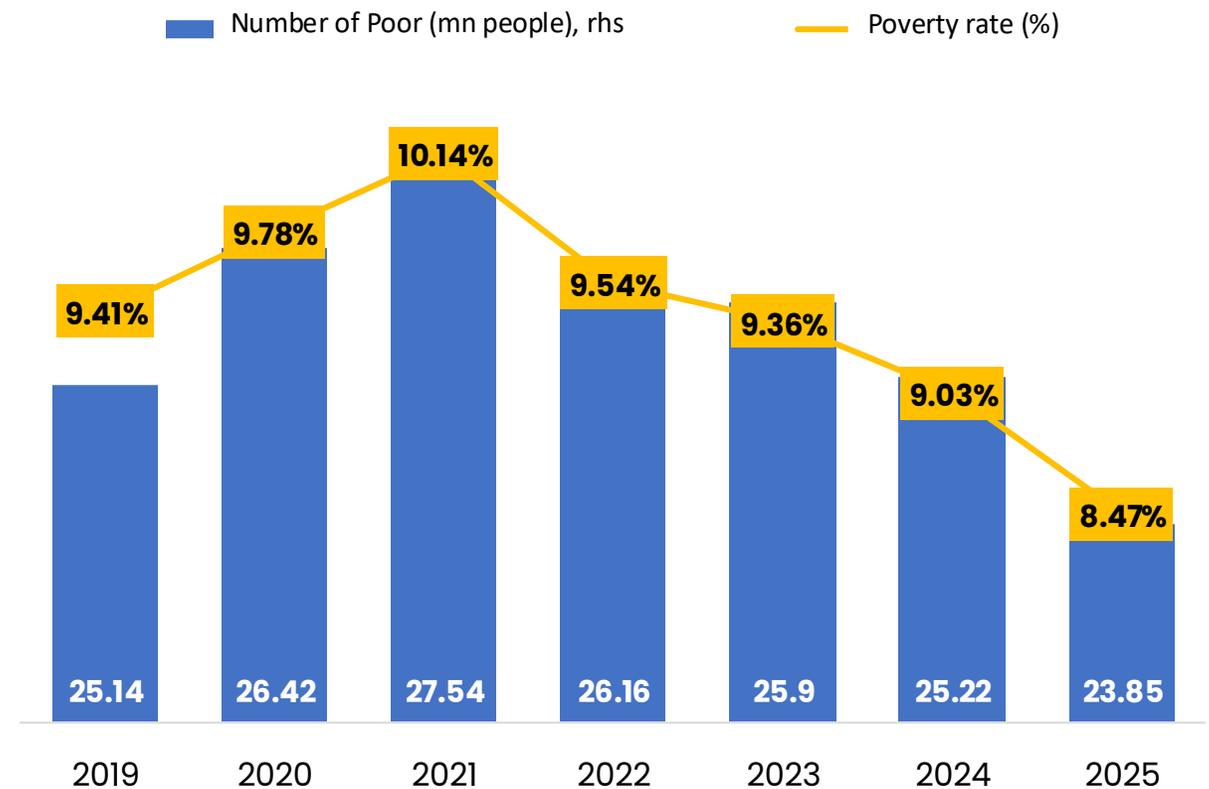
Unemployment rate and poverty rate continued to gradually decline

- The unemployment rate continued to decline to 4.76%, accompanied by the creation of 3.59 million jobs, largely driven by an increase of 3.21 million full-time workers. This job growth significantly outpaced the slight rise in unemployment, which increased by 83.45 thousand people compared to the previous period.
- Strengthening economic activity and various government stimulus measures also contributed to a reduction in the poverty rate from 9.03% (March 2024) to 8.47% (March 2025).

Unemployment (%)¹



Poverty (%)²



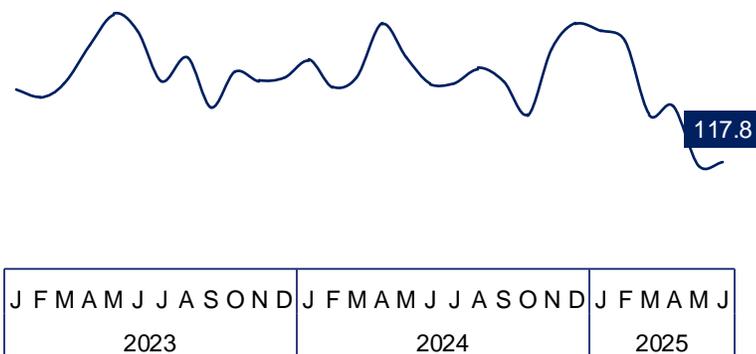
Source: Statistics Indonesia
1 Yearly data published in February 2025
2 Yearly data published in March 2025



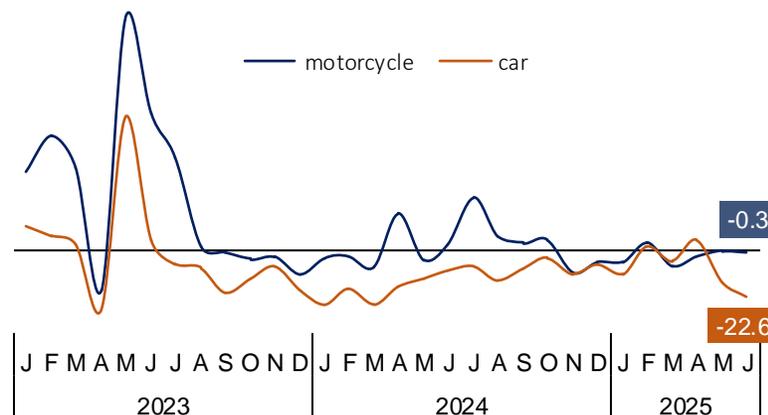
Government Anticipates Transmission from Global Risk, as Short-term Indicators Showed Mixed Signals

The state budget (APBN) is managed prudently to sustain public and business optimism, while purchasing power is supported through price controls and stimulus measures, including continued support for business performance.

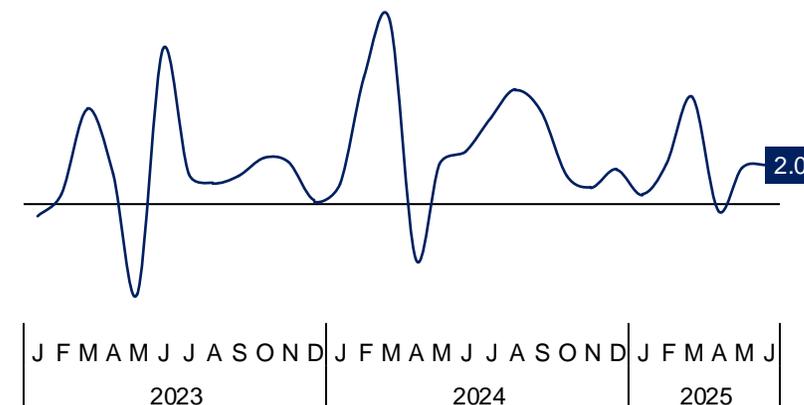
Consumer confidence in the economic conditions has remained optimistic (June, Index)



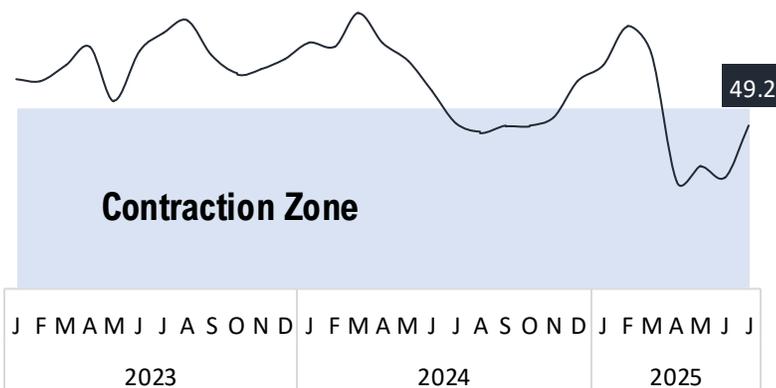
Vehicle sales have declined in recent months (June % YoY)



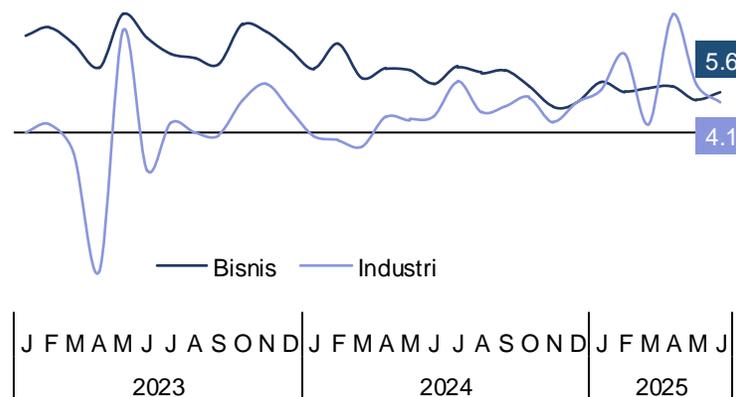
Retail Sales maintained growth in June (June, % YoY)



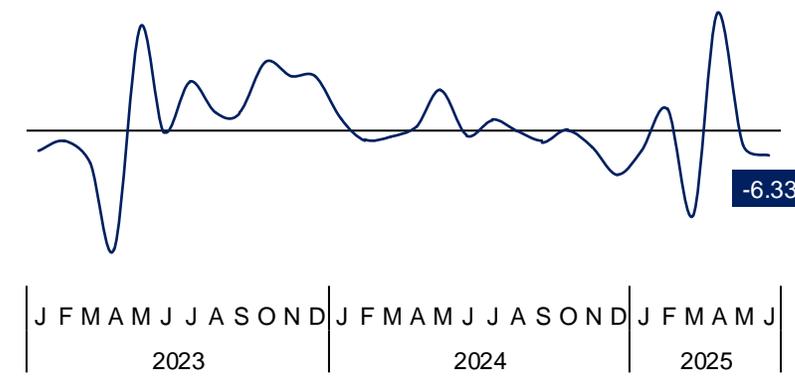
Manufacturing activity showed improvement as pressures on production & domestic demand eased (July, Index)



Electricity consumption, which reflects economic activities, has continued to grow (June, % YoY)



Cement sales have contracted since May 2025 (June, % YoY)

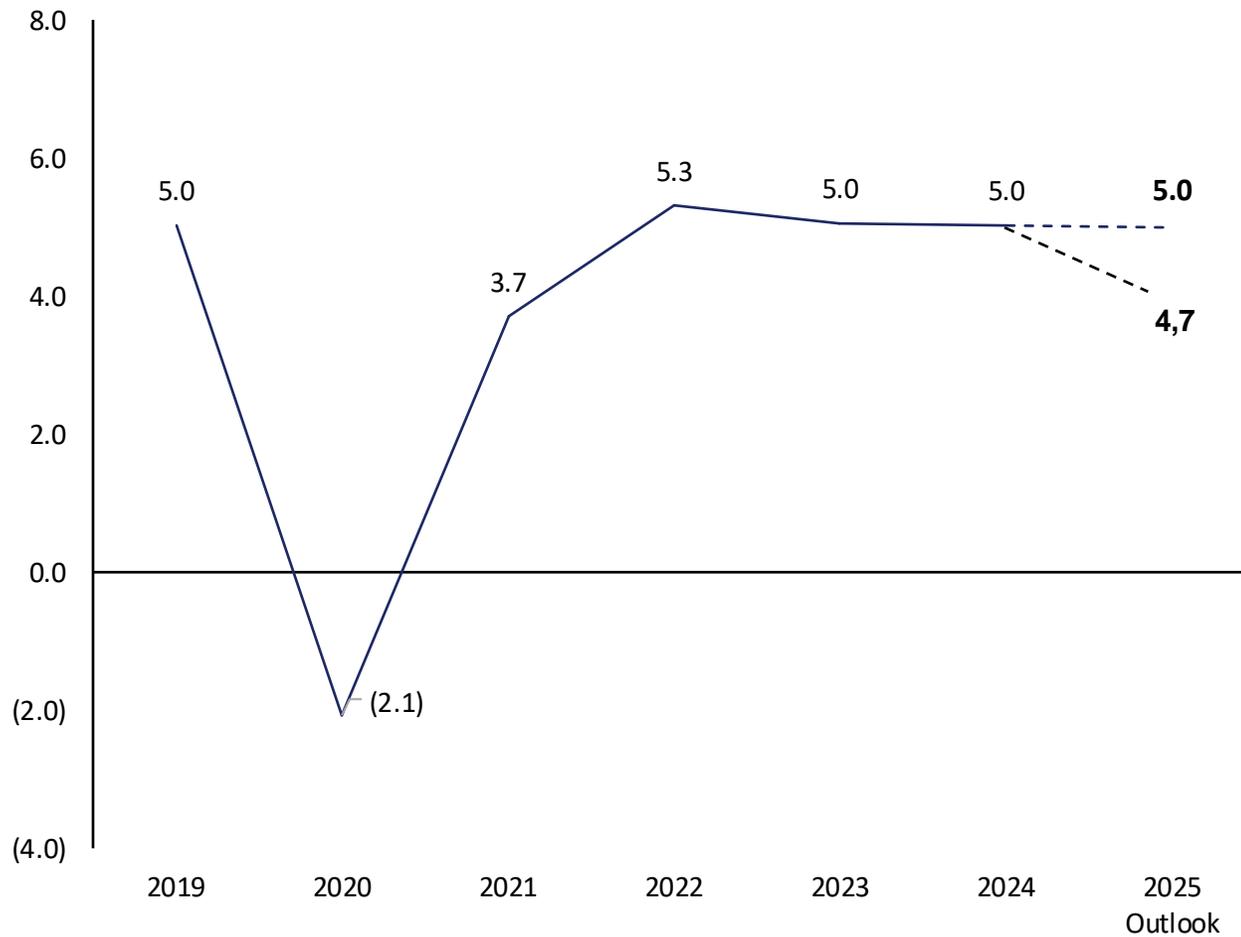




2025 Economic Growth Outlook Remains Strong, but Indonesia is Monitoring Global Dynamics with Caution

The government aims to maintain economic growth around 5% in 2025

National economic growth (% YoY)



- Domestic consumption, supported by **strong purchasing power**, remains the main driver of growth
- A more **conducive investment climate**, backed by structural reforms, drives the performance of productive sectors
- **Downstreaming policies** are being strengthened to increase value-added and global competitiveness
- **Strategic national programs** in 2025 aim to accelerate **inclusive and sustainable economic development**, create jobs, and strengthen economic resilience

The government remains vigilant of potential risks from economic uncertainty and the slowdown in global trade

International Agencies' Forecasts of National Economic Growth



WEO Jul-25

2025 : 4.8
2026 : 4.8



WORLD BANK GROUP
GEP - Jun-25

2025 : 4.7
2026 : 4.8



ADO Apr-25

2025 : 5.0
2026 : 5.1



Econ Outlook Jun-25

2025 : 4.7
2026 : 4.8

Bloomberg

Survey Jul-25

2025 : 4.8
2026 : 5.0



Mitigating the Impact of Tariff Increases to Maintain Economic Growth Around 5% through Appropriate Policy Responses

Policies to promote investment and trade

- **Tariff Measures: Relaxing import duties on goods from the US**
- **Deregulation of Non-Tariff Measures (NTMs), including:**
 - Improving business climate
 - Elimination of local content requirements
 - Review of import quota restrictions on particular products, ex: agricultural
 - Broader implementation by all Line Ministries
- **Increasing imports to the U.S. especially in agriculture products, energy, and aircrafts**
- **Investment cooperation on downstream industries between Indonesia and the U.S.**



- Protecting domestic products from global market shifts
- Enhancing cooperation in the global value chain (GVC)
- Shifting competitive products to ASEAN+3; EU, BRICS market



32% → **19%**

Indonesia secured the lowest reciprocal US Tariff among ASEAN countries

Countercyclical through policy packages

“Maintaining Growth, Protecting Businesses and the Public, and Preserving Momentum”



Note: MBG - Free Nutricious Meals; FLPP – Low Income Subsidized Mortgage Program ; KDMP – Red and White Village Cooperative



Countercyclical Policy Package to Support Purchasing Power and Economic Growth in Q2 2025

To protect purchasing power and sustain growth, targeting around 5% GDP growth in Q2 2025 and near 5% for the full year

The government has five stimulus packages, mostly effective for two months, aligned with the school holiday period in June–July 2025

Mass Transportation Discounts
IDR 0.94 Tn



Reduced train fares (30%)
 VAT exemptions on airline tickets (6%) Discounted sea transport fares (50%)

[IDR0,24 T]

Toll Road Tariff Discounts
IDR 0.65 Tn (Non-Gov't Budget)



A 20% fare reduction, aimed at benefiting 110 million passengers

[IDR0,02 T]



Expanded Social Assistance
IDR 11.93 Tn



Additional food assistance card (IDR 200,000/month)
 Food aid (10 kg of rice/ month)
 Each for 18.3 million beneficiaries
 Distributed once in June 2025

[IDR6,44 T]

Wage Subsidy Assistance
IDR10.72 Tn



IDR 300,000 subsidy for:

- (1) 17.3M workers (salary ≤ IDR 3.5M or local minimum wage)
- (2) 288K Education Ministry teachers
- (3) 27K Religious Affairs Ministry teachers

[IDR6,88 T]

Extension of Work Accident Insurance (JKK) contribution discounts
IDR 0.2 Tn (Non- Gov't Budget)




A 6-month 50% discount program began in February 2025, reaching 2.7 million workers in 6 labor-intensive sectors by May

Note:
[Realization as of July,2]



02

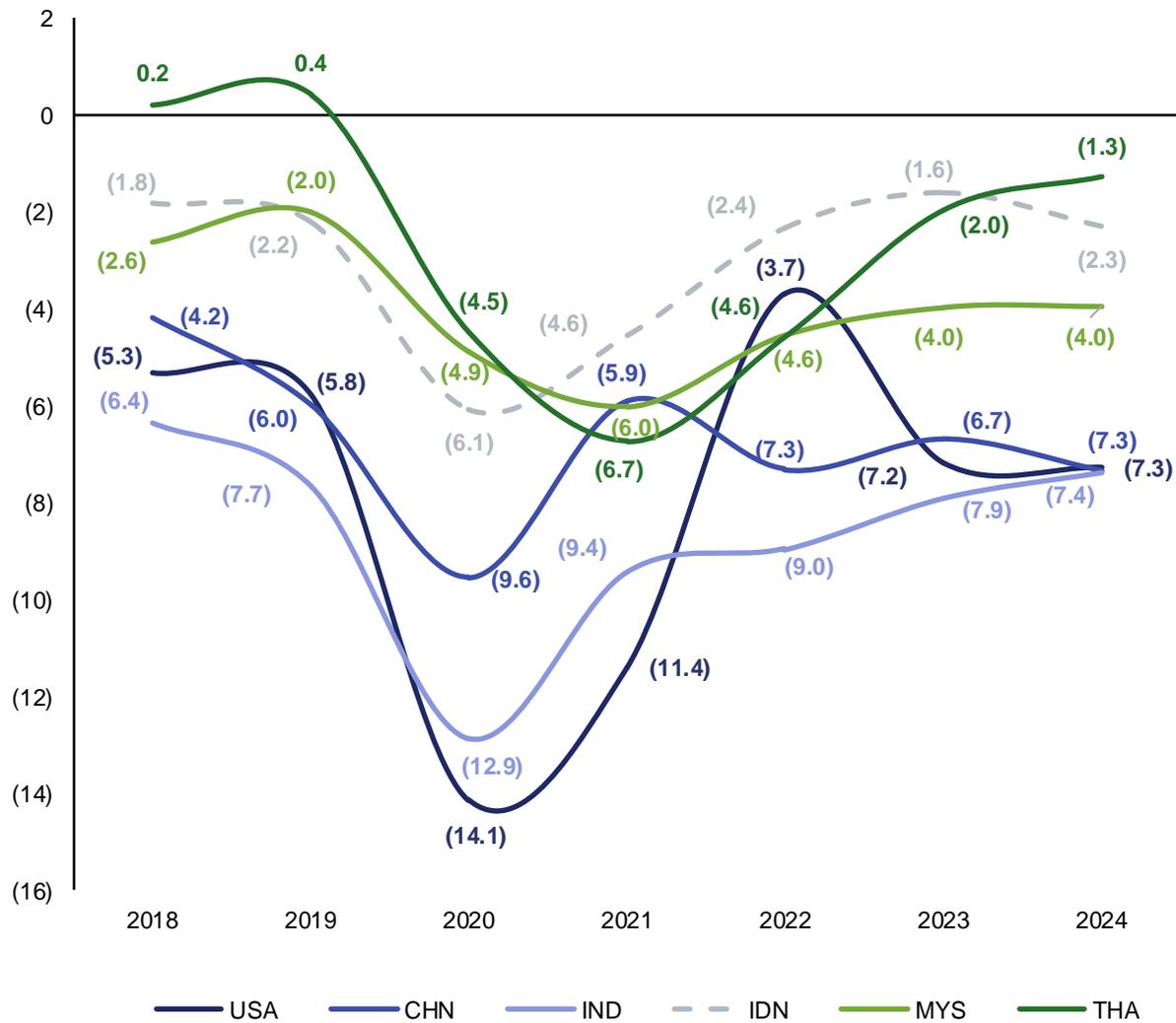
BUDGET UPDATE



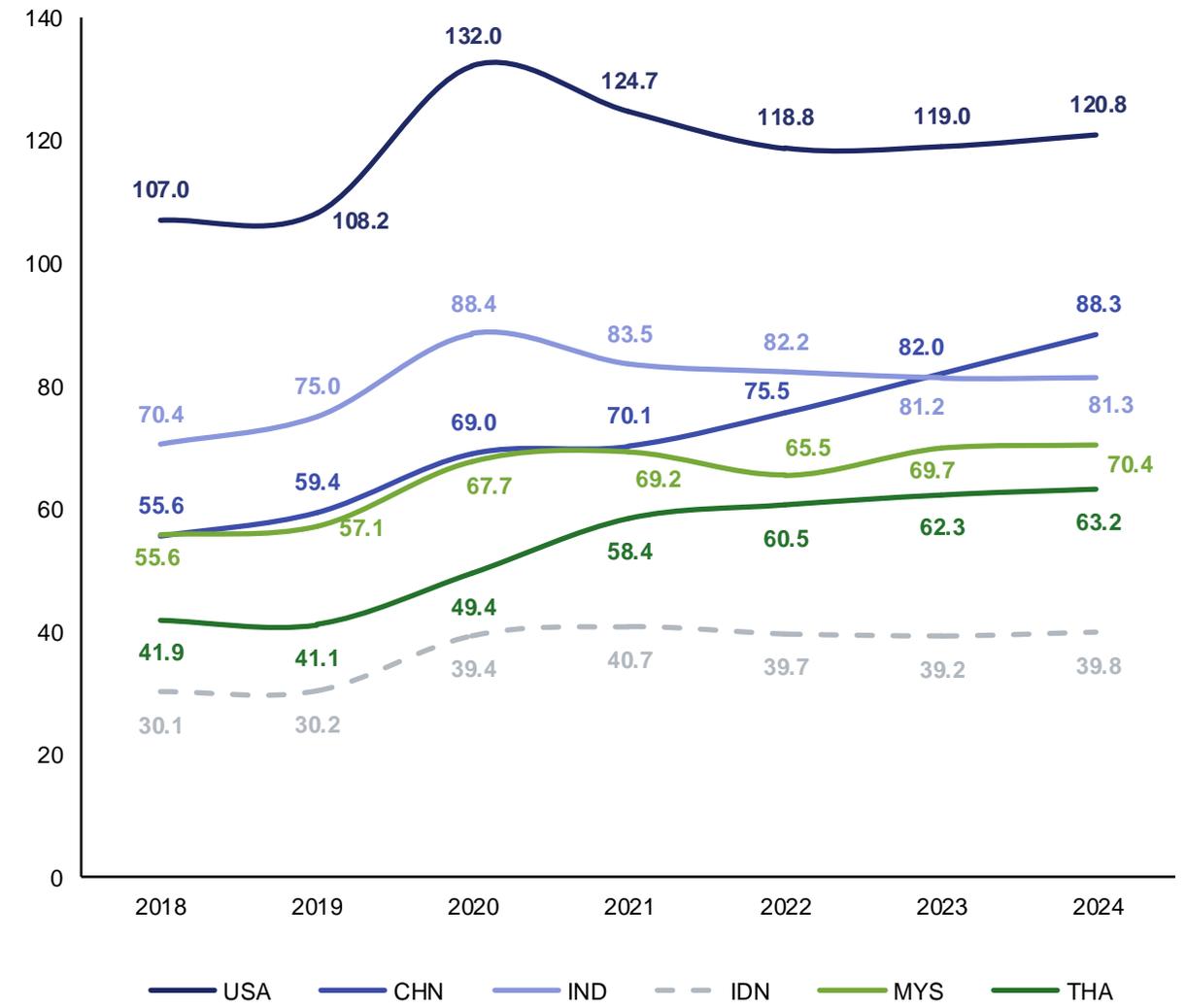


Indonesia Distinguishes Itself as a Leading Nation in Improving Fiscal Metrics

Fiscal Deficit Before and After the Pandemic (% GDP)



Trend of Debt to GDP Ratio Before and After Pandemic (%)

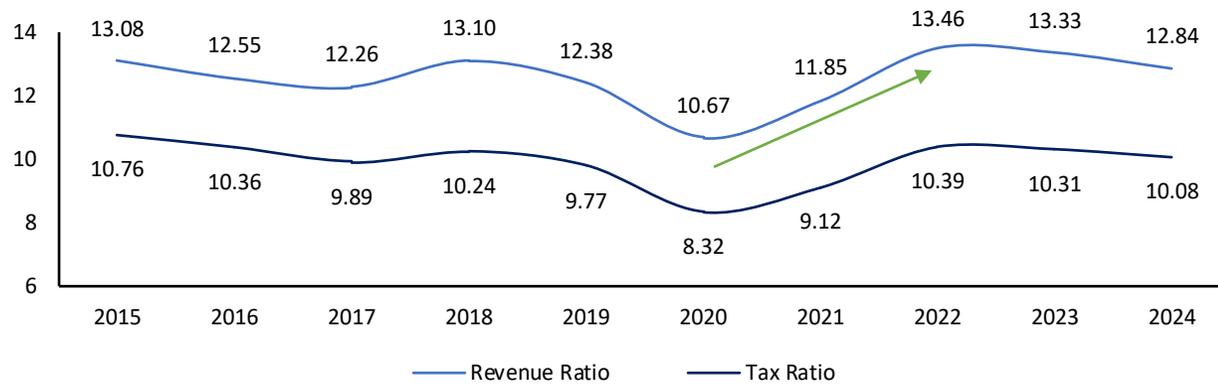




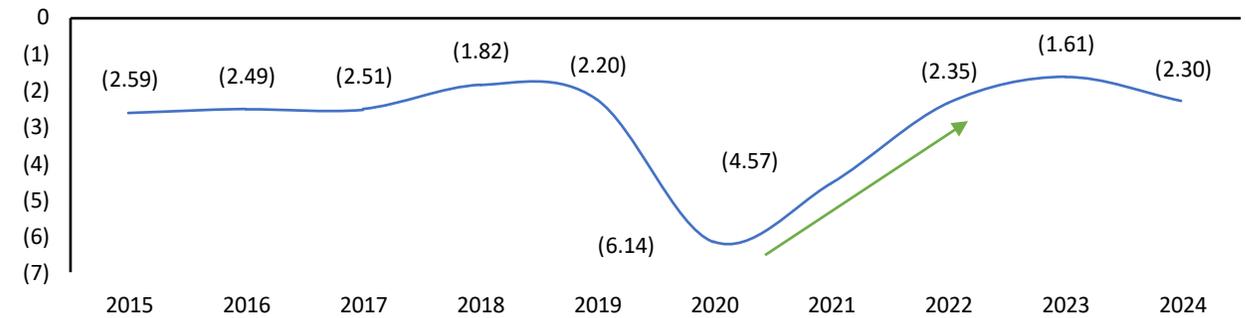
Overall, the Fiscal Position is on Upward Trajectory

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

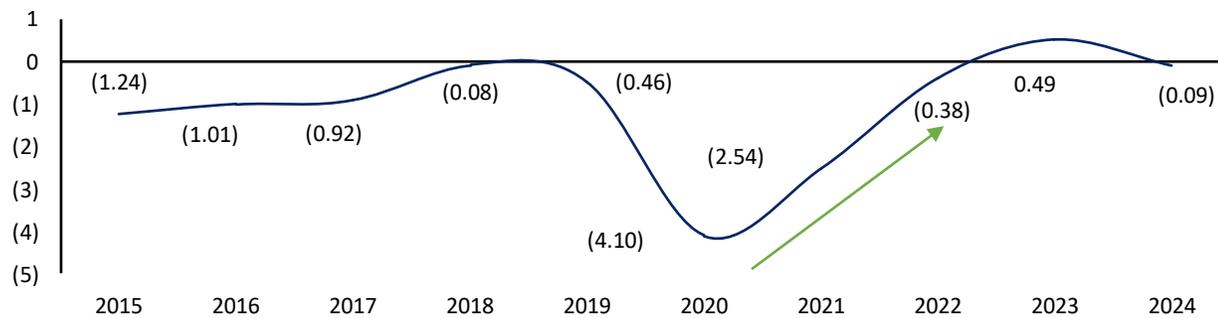
Revenue and tax ratio increases in line with stronger recovery (% GDP)



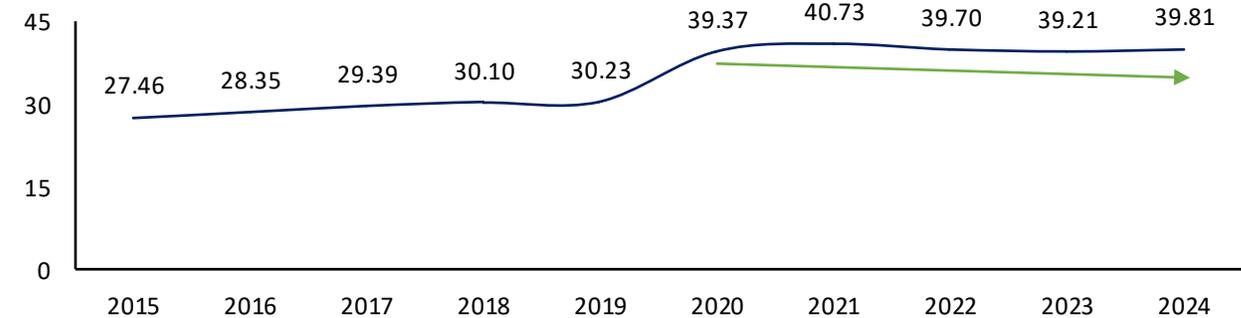
Overall budget position improved significantly (% GDP)



Surplus in primary balance (% GDP)



Debt ratio declines (% GDP)





Macroeconomic Assumptions for the Budget Within Target

Inflation remains under control and government bond yields are stable, amid exchange rate fluctuations and efforts to increase oil and gas lifting

	Indicator	2024		2025	
		Budget	Realization	Budget	Realization
	Economic Growth⁽¹⁾ (%)	5.2	2024: 5.03%	5.2	4,87 (yoy)
	Inflation⁽²⁾ (%, yoy)	2.8	1.57	2.5	1.9% (yoy) -0.37% (mtom)
	10Y T-Bonds Rate⁽³⁾ (%, average)	6.7	7.0 (eop) 6.8 (ytd)	7.0	6.93% (eop) 6.56% (ytd)
	Exchange rate⁽⁴⁾ (IDR/USD average)	15,000	16,162 (eop) 15,847 (ytd)	16,000	16,428 (eop) 16,304 (ytd)
	ICP Indonesian⁽⁵⁾ (USD/barel, average)	82	71.6 (eop) 78.1 (ytd)	82	70,05 (eop) 69.33 (ytd)
	Oil Lifting⁽⁵⁾ (tbpd)	635	579.7	605	567.9
	Gas Lifting⁽⁵⁾ (tboepd)	1,033	978.8	1,005	985.7

Economic growth

Domestic demand continues to support the national economy; however, various global risks are being closely monitored and anticipated through well-targeted government policy responses

Inflation rate

The risk of food inflation due to extreme weather conditions must be anticipated, and inflation control coordination needs to be strengthened

Rupiah exchange rate and government bond yields

Developments in the economy, financial markets, and global geopolitics—particularly the policy stance of major central banks, especially the Federal Reserve—continue to influence the outlook.

Indonesian crude oil price

Oil price movements are affected by geopolitical factors that constrain demand and distribution, amidst OPEC+ policies to increase production.

Oil and gas lifting

Optimization of existing wells is pursued through increased drilling activity and enhanced facility maintenance.

Source: Ministry of Finance

Notes: 2025 Realization

1 As of 31 Mar 2025

2 As of June 2025

3

As of 18 July 2025

4

As of 18 July 2025

5

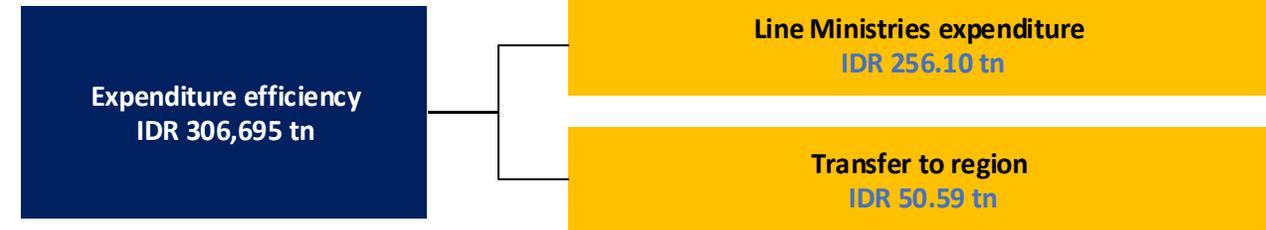
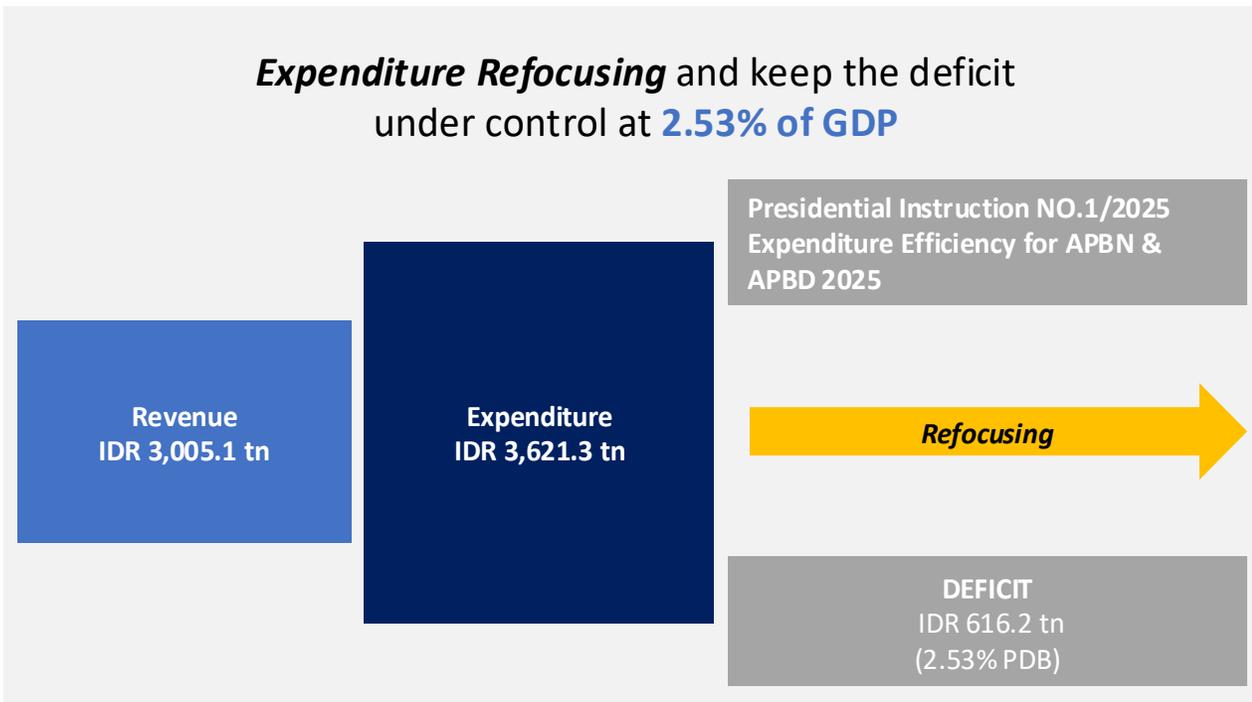
As of June 2025



President Mandated Bureaucratic Efficiency to Boost Productive Spending (Presidential Instruction 1/2025)

Reconstructing Expenditures Towards Greater Productivity to Accelerate Development Targets

Expenditure Refocusing and keep the deficit under control at **2.53% of GDP**



To Maximize Revenue, Key Strategies include:

- Improving tax compliance and expanding the tax base (**joint program, core tax and extra effort**)
- Leveraging data analytics for better revenue forecasting
- Implementing a technology-driven and effective revenue system (tax and non-tax revenue)

Refocusing Expenditure to Accelerate Priority Programs:

- **Increasing efficiency** in travel expenses, seminars, office supplies, and workshops
- **Prioritizing investments** in human capital, job creation, productivity growth, food and energy security, and technological breakthroughs

Budget Efficiency does not include:

- Employee Expenditure,
- Employee Services (Basic Operations), and
- Public Service/Social Assistance



as of 24 June 2025

IDR134.9 triliun
Utilization of savings from spending efficiencies as directed by the President for national development priorities

- 23 Ministries/Agencies under the Red and White Cabinet restructuring, release of **IDR48.0 triliun** in spending efficiency gains
- For 76 other Ministries/Agencies, release of IDR86.9 triliun



First Semester of 2025 Budget: Countercyclical Policies to Maintain the Economy

Improved revenue performance, with expenditure showing significant disbursement

(in IDR tn)	2025		
	Budget	Real. as of 30 June	% Budget
A. Revenue	3,005.1	1,201,8	40,0
I. Tax Revenue	2,490.9	978,3	39,3
1. Tax	2,189.3	831,1	38,0
2. Custom and Excise	301.6	147,0	48,7
II. Non-Tax Revenue	513.6	222,9	43,4
B. Expenditure	3,621.3	1,406,0	38,8
I. Central Government Expenditure	2,701.4	1,003,6	37,1
1. Line Ministries Expenditure	1,160.1	470,5	40,6
2. Non-Line-Ministries Expenditure	1,541.4	533,0	34,6
II. Transfer to Region	919.9	402,5	43,8
C. Primary Balance	(63.3)	52,8	(83,4)
D. Surplus/ (Deficit)	(616.2)	(204.2)	33,1
% Surplus/(Deficit) to GDP	(2.53)	(0.84)	
E. Financing	616.2	283,6	46,0

Revenue

IDR 1.201,8tn
40,0% of target

Expenditure

IDR 1,406.0tn
38,8% of budget

Budget Surplus

IDR 204.2tn
0.84% GDP

Primary
Balance Surplus

IDR 52,8tn



State Revenue was Accelerating in Q2 2025

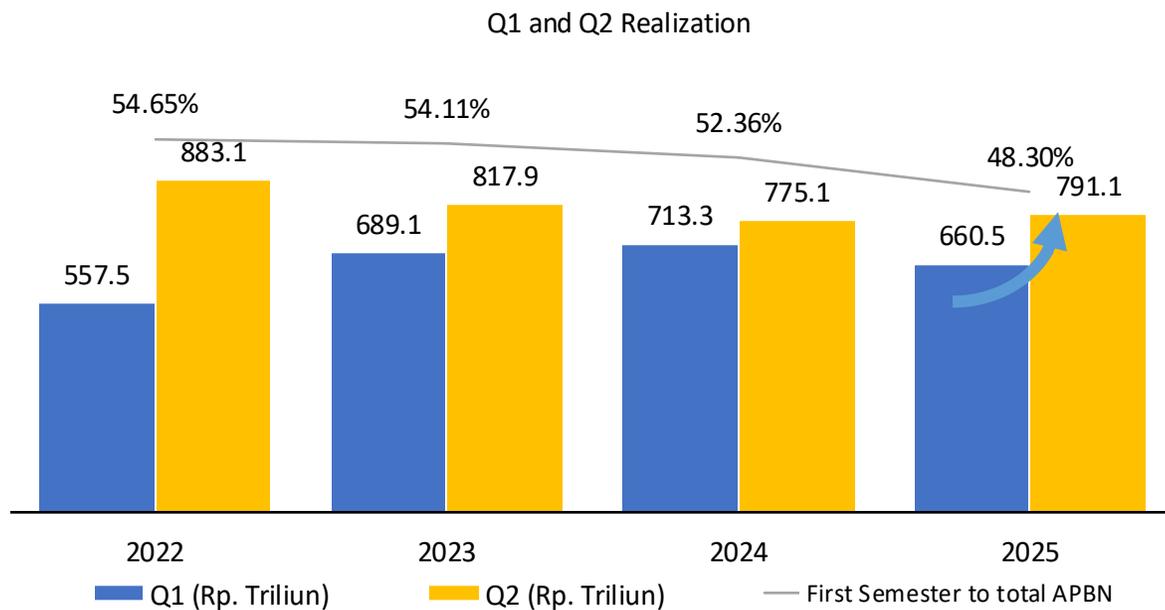
Fulfilling the expenditure needs of Ministries/Agencies and non-Ministries/Agencies in the First Semester of 2025

State revenue – First semester

Gross = Rp 1.451,6 T; Net = Rp1.201,8 T

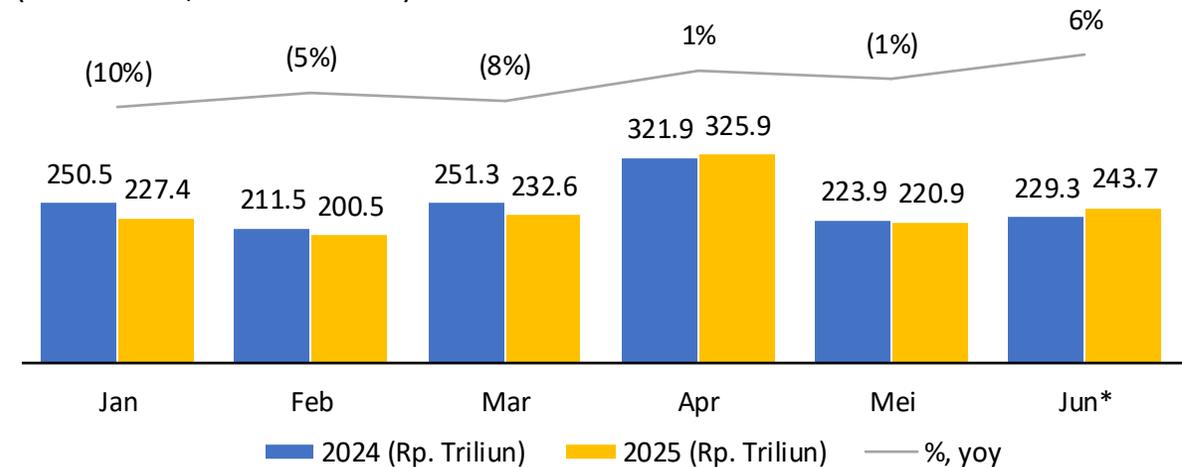
State Revenue influenced by:

- The slowdown in global **economic and trade growth**
- Implementation of **tax administration** adjustments
- Decline in **oil & gas prices** and natural resource commodity production
- Enforcement of **12% VAT limited to luxury goods and state-owned enterprise (SOE) dividends**



Average Monthly Gross Revenue: Rp 241,8 T

Monthly realization
(IDR Trillion, % Growth YoY)



Acceleration in Q2, particularly in tax revenue

- Monthly state revenue experienced negative growth **in the first three months** due to tax administration adjustments, global economic conditions, and fluctuations in ICP and energy commodity prices
- **Positive** performance was recorded in April and June, supported by tax and customs revenues related to the **manufacturing, financial, and mining sectors**
- In general, state revenue performance in the **second quarter was better** compared to the first quarter of 2025



Tax Revenue Realization

Tax revenue shows a positive trend in the last month

Gross realization Until June 2025

Rp1.081,24 T

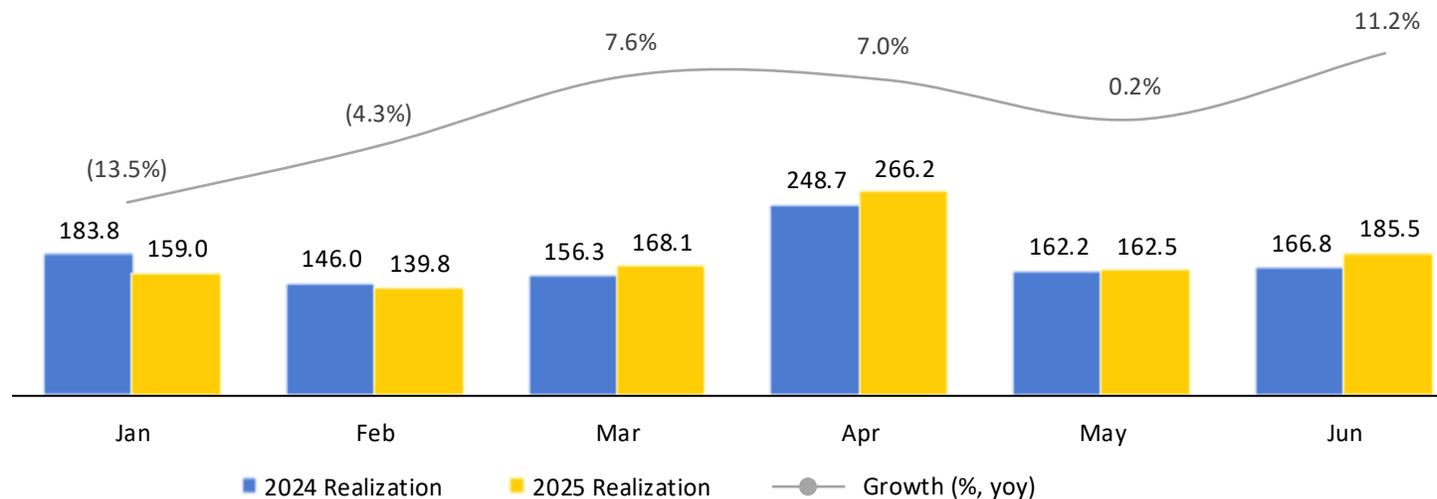
	Corporate Income Tax	Rp221,58 T		6,5%
	Individual Income Tax	Rp14,09 T		35,4%
	VAT & Luxury Goods Sales Tax	Rp443,93 T		(4,5%)
	Land & Building Tax	Rp11,67 T		250,9%

Net Realization until June 2025

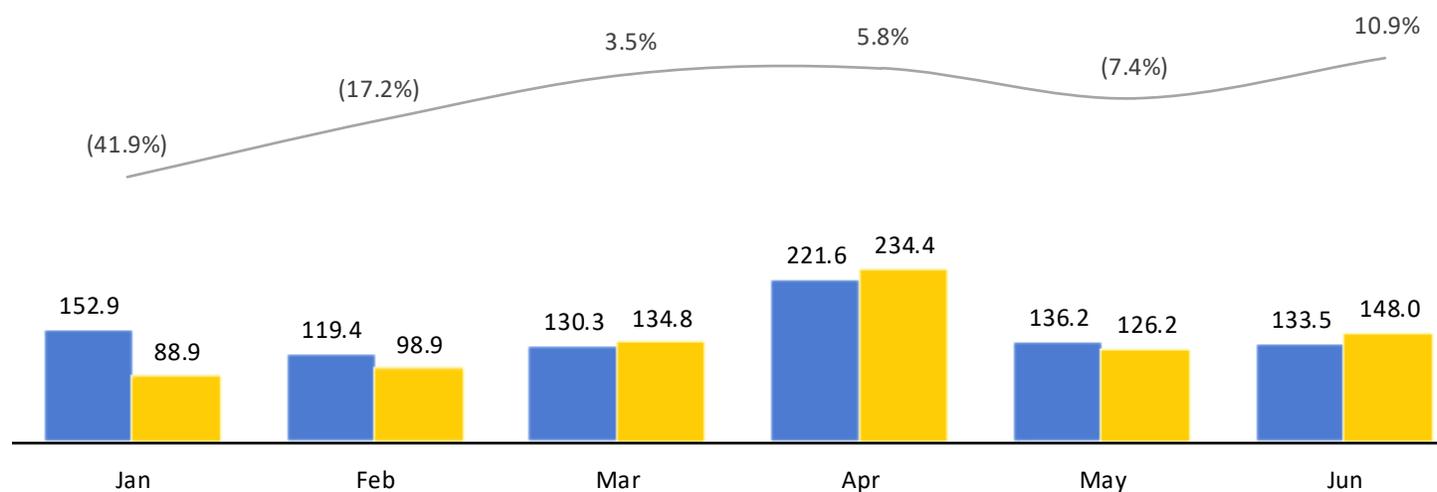
Rp831,27 T

	Corporate Income Tax	Rp152,49 T		(11,7%)
	Individual Income Tax	Rp14,03 T		35,6%
	VAT & Luxury Goods Sales Tax	Rp267,27 T		(19,7%)
	Land & Building Tax	Rp11,53 T		247,2%

Annual gross Tax (% YoY)

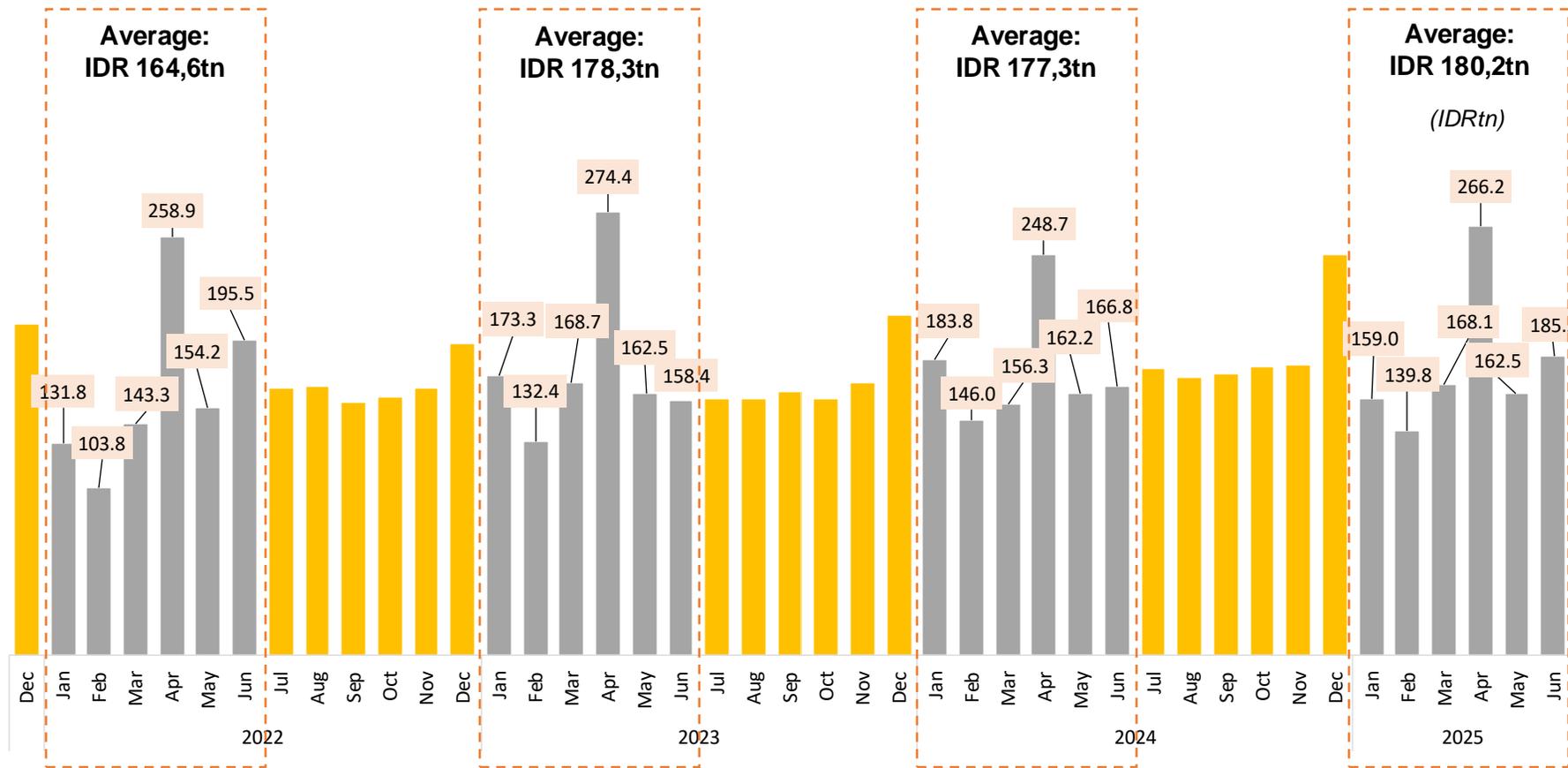


Annual net tax (% YoY)





Gross Tax Revenue in the First Semester of 2025 Recorded a Positive Performance



Gross tax revenue

First Semester of 2024

IDR 1.063,8tn

Grew by 1,6%



First Semester of 2025

IDR 1.081,2tn

- 1 Gross tax revenue in the **first semester** of 2025 reached IDR 1,081.2 trillion, representing a **growth of 1.6%** compared to the same period last year. The positive performance of tax revenue has been consistently maintained since March 2025
- 2 This growth in tax revenue was supported by **positive performance in key sectors**, including:
 - a. Tobacco processing industry
 - b. Banking
 - c. Petroleum refining industry
 - d. Four-wheeled vehicle industry
 - e. Electricity sector
 - f. Palm oil industry
 - g. Online trade



Ensuring the Sustainability of the 2025 Priority Budget to Support the Development Agenda

Education
IDR 724.3 Tn

20.0%⁽¹⁾



- Improving access to and quality of education through initiatives like PIP, KIP College, BOS, BOP PAUD, and scholarships (LPDP)
- Providing nutritious meals for school children, renovating schools, and building model schools
- Improving the connection between education and the needs of the job market

Social protection
IDR 503.2 Tn

13.9%⁽¹⁾



- Continuing social security programs such as PKH, Basic Food Cards, PIP, and College KIP
- Strengthening social security across all life stages
- Facilitating poverty alleviation through empowerment-based social protection

Health
IDR 218.5 Tn

6.0%⁽¹⁾



- Implementing promotive and preventive measures to accelerate the reduction of stunting and tuberculosis cases
- Constructing high-quality hospitals, providing free health check-ups, and enhancing the effectiveness of the JKN program
- Strengthening technological and pharmaceutical independence
- Fortifying a reliable health system

Food security
IDR 144.6 Tn

3.8%⁽¹⁾



- Intensifying and expanding agricultural land, while strengthening agricultural facilities and infrastructure such as dams and irrigation systems
- Increasing access to financing for farmers
- Bolstering national food reserves to ensure food availability and affordability

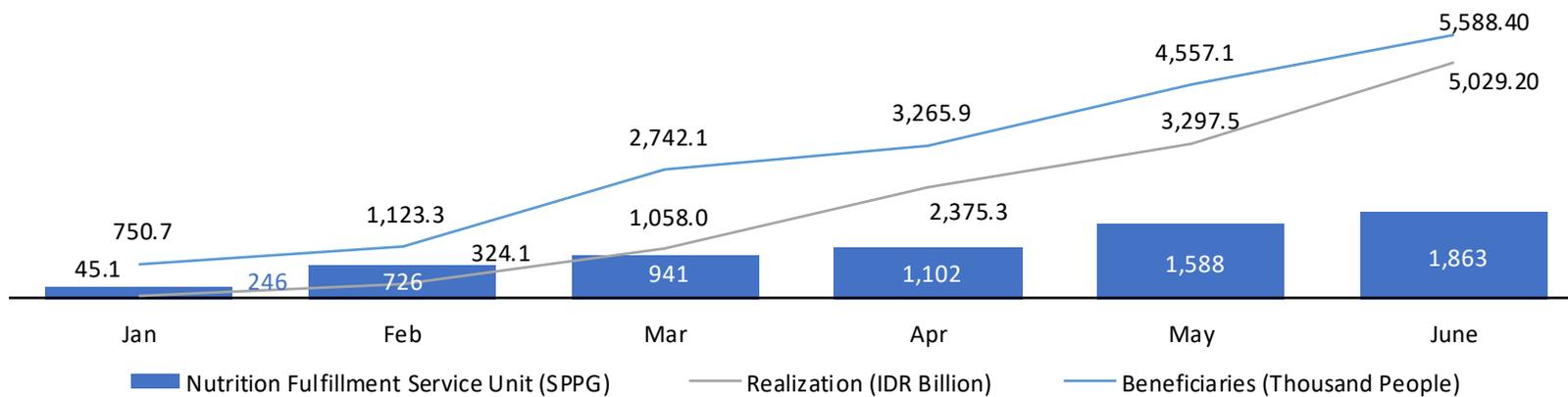


Target and Realization of Free Nutritious Meal Program

Expenditure Realization of
Badan Gizi Nasional (BGN)/
National Nutrition Agency

IDR 5.0tn

Progress of the free nutritious meal program, January to June 2025



As of June 30, 2025:

- 5.59 million beneficiaries (students and pregnant women)
- Served by 1,863 active nutrition units/ community kitchens

2025 MBG Objective

Target Beneficiaries 2025:

- **15.5 million** school children
- **2.4 million** pregnant/breast feeding women and toddlers.



Budget Allocation
IDR 71tn



Target Beneficiaries:

82.9 million people, served
by **30 thousands SPPG**



Budget Allocation
IDR 171tn



Priority Program Realization: Advancing Education for Future Growth



Flagship School

IDR 2tn

- Construction of 4 Garuda Excellence Senior High Schools
- Development of the Endowment Fund for Garuda Excellence Senior High Schools

Progress

- Two locations are ready (Bangka Belitung and East Central District, NTT)
- Early stage of construction



Taruna Nusantara School

Infrastructure of Taruna Nusantara Senior High School
(Cimahi, Malang, Magelang)

Realization : IDR 95,74 Bn

IDR1,2tn



Sekolah Rakyat (School for Poor) Academic Year 2025 - 2026



Ministry of Social Affairs
Operational Cost: IDR 1.2tn

Phase 1a. (July) 63 Locations

Phase 1b. (Sept) 37 Locations

Progress



Ministry of Public Works and Housing

Phase I
IDR
396.9
Bn

Renovation of social rehab centers,
training facilities, and local government
buildings

Realization:
IDR 327.1bn



School Improvement



Ministry of Primary and
Secondary Education

IDR16,97tn

Procurement process for
10,440 education units (78% public & 22% private)

Realization : IDR 587 Bn

»»» Progress:

Six vocational schools revitalized at a cost of IDR 13.9 billion

Progress



Ministry of Public Works
(Revitalization of
Madrasahs)

IDR2,52tn

Procurement process for
2,120 madrasahs

Realization : IDR 44,4bn

»»» Progress:

Phase I: Entering tender stage

Phase II: Finalizing detailed engineering design (DED)

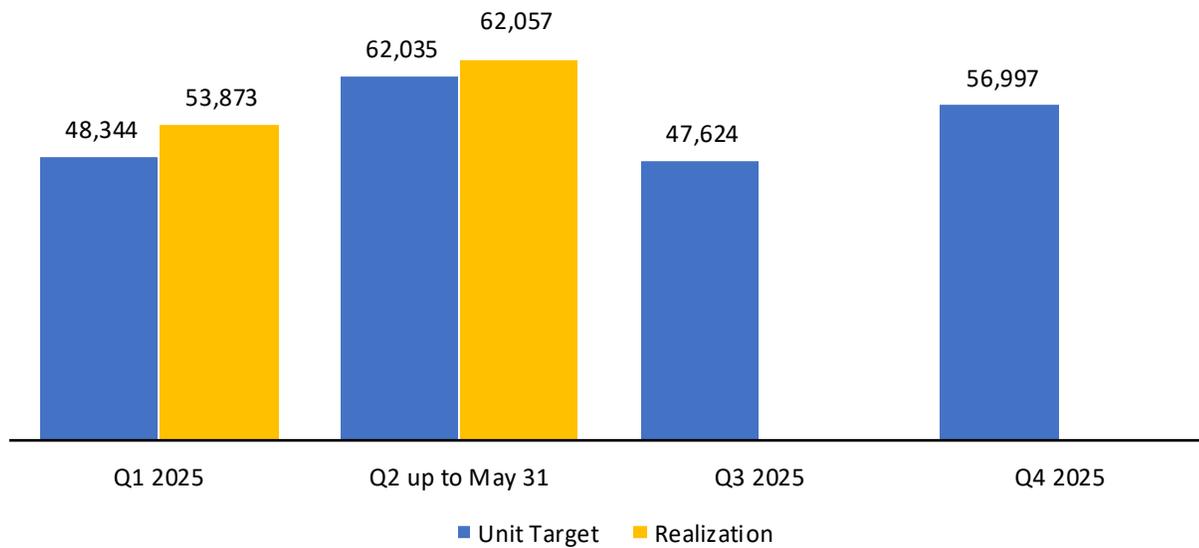


The Distribution of Low-income Community Housing through the Low Income Subsidized Mortgage Program (FLPP) is on Track

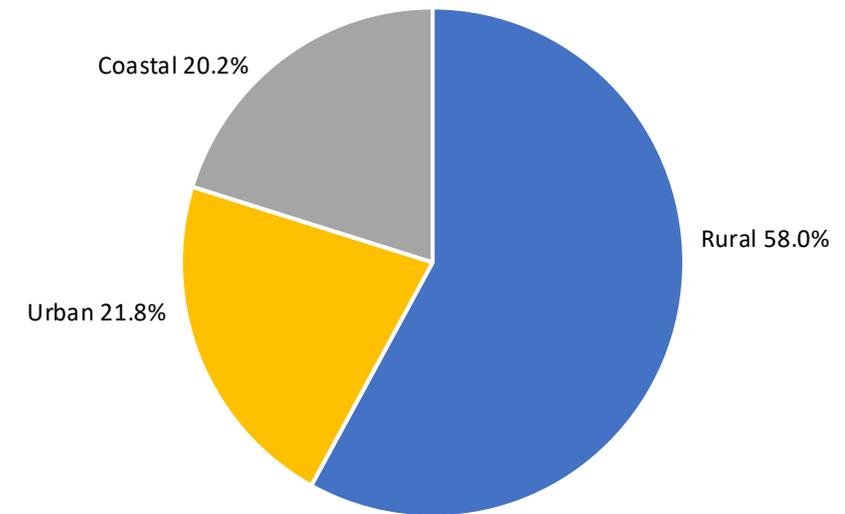


As of June 30, 2025, a total of IDR 18.8 tn has been disbursed. Cumulatively in **FY 2025 to-date, 115,930 housing units worth IDR 18.8 tn** have been distributed across 379 regencies/cities.

FLPP 2025 distribution



Distribution by region



Raising the goal for building affordable homes for low-income communities

- In 2025, IDR 18.77 tn was allocated with a target of distributing 220,000 housing units
- An additional FLPP allocation is planned to support the 3 million housing program
- Total FLPP distribution from 2010 to 2024 reached 1,598,879 housing units, valued at IDR 151.22tn
- FLPP distribution is carried out by BP Tapera through Banking FLPP distribution is dominated on the islands of Java, Sumatra and Sulawesi which reach 47.6%, 25.2% and 13.9% respectively in accordance with the distribution of the population which is majority in the 3 large islands

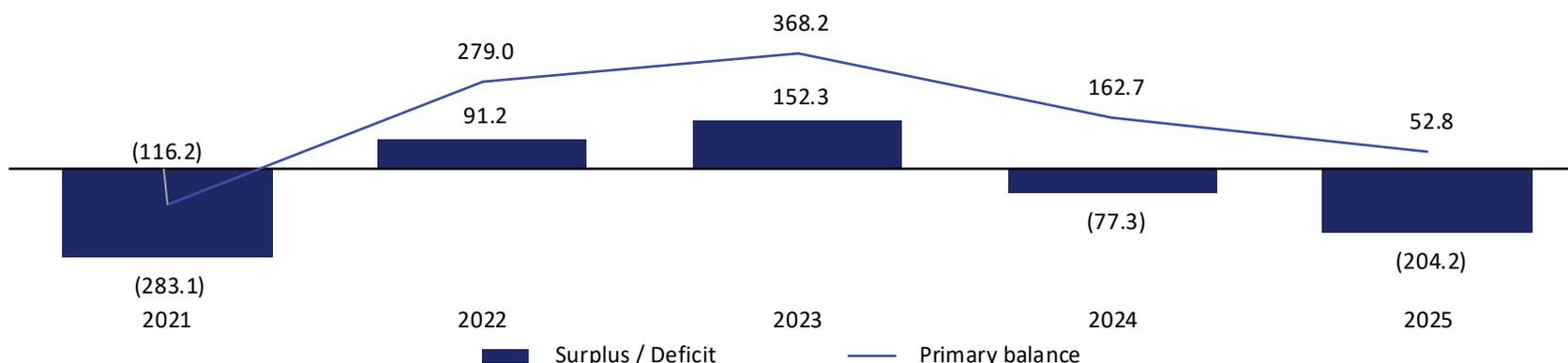


Well-managed Financing to Meet State Budget Needs

and able to maintain State Budget resilience amidst global volatility

Budget deficit and primary balance – semester I 2021 – 2025

(IDR Trillion)



Debt and non-debt financing realization up to first semester 2025²

Items (trillion)	2024			2025			Growth (%)
	Perpres 206/2024	Real Smt I	% thd Perpres 206/2024	Budget	Real Smt I	Budget (%)	
I. Government Securities (Net)	554.7	206.2	37.2	642.6	308.6	48.0	49.7
II. Loans (Net)	11.6	8.5	73.1	133.3	6.9	5.1	(19.3)
Total debt financing	566.3	214.7	37.9	775.9	315.4	40.7	46.9

- Semester-I 2025, the **primary balance remained positive**, and the **deficit was maintained at 0.84% GDP**
- Semester-I 2025, net debt financing reached 40.7% of budget, with controlled costs and risks
- Debt financing was carried out in a prudent, flexible, opportunistic, and measured manner, considering timing, size, instruments, and currency mix
- **Cash balance remained ample**, supported by a substantial Treasury Surplus (SAL)



The 2025 State Budget Deficit Outlook at 2.78%

Items	2025		
	Budget	Outlook	% of Budget
A. STATE REVENUE	3,005.1	2,865.5	95.4
I. Taxation Revenue	2,490.3	2,387.3	95.8
1. Tax Revenue	2,189.3	2,076.9	94.9
2. Customs and Excise	301.6	310.4	102.9
II. Non-Tax Revenue	513.6	477.2	92.9
III. Grant	0.6	1.0	170.7
B. STATE EXPENDITURE	3,621.3	3,527.5	97.4
I. Central Government Spending	2,701.4	2,663.4	98.6
1. Line Ministries Spending	1,160.1	1,275.6	109.9
2. Non-Line Ministries Spending	1,541.4	1,387.8	90.0
II. Transfer to Regions	919.9	864.1	93.9
C. PRIMARY BALANCE	(63.3)	(109.8)	173.4
D. SURPLUS (DEFICIT)	(616.2)	(662.0)	107.4
%GDP	(2.53)	(2.78)	
E. BUDGET FINANCING	616.2	662.0	107.4

- State revenue:** IDR 2,865.5 T or 95.4% of the budget target
 - Tax: IDR 2,076.9 T or 94.9% target
 - Customs and excise: IDR 310.4 T or 102.9% target
 - Non-tax revenue: IDR 477.2 T or 92.9% target
- State expenditure:** IDR 3,527.5 T or 97.4% target
 - Ministries/agencies: IDR 1,275.6 T (109.96%)
→ Supporting priority development programs: food security, energy security, MBG, education, health, villages & MSMEs, universal defense, and investment
 - Non-ministries/agencies spending: IDR 1,387.8 T (90%) → Maintaining food price stability and public purchasing power
 - Transfers to regions: IDR 864.1 T (93.9%)
→ Supporting public services in education and health, including additional ASN updates and natural absorption
- Budget deficit:** IDR 662.0 T (2.78% of GDP)
- Budget financing:** IDR 662.0 T
→ additional Treasury Surplus of IDR 85.6 T to reduce SBN issuance, meet government obligations/priority spending, and finance the deficit



Strategic Value of Fiscal Policy 2026

State budget maintained to remain sound and credible

Art. 33 UUD
1945 became
the foundation
of the spirit

- 1 The economy shall be structured as a common endeavor based upon the principles of familialism
- 2 Sectors of production which are important to the state and affect the lives of many people shall be controlled by the state
- 3 The land, the waters, and the natural resources within shall be controlled by the state and utilized for the greatest possible prosperity of the people

Shock Absorber

The US Reciprocal Tariff Policy Trigger Dramatic Shifts in the Global Order



- Deglobalization, rising protectionism
- Weakened export
- Slowing foreign investment
- Disrupted supply chain
- Volatile commodity prices
- Exchange rate and interest rate under pressure



Supporting the achievement of development targets

Carrying the Mandate to Deliver on Public Expectations

- **To protect** all the people
- **To promote general welfare**
- **To develop the intellectual life** of the nation
- **Contribute** to the establishment of **world order**





Realizing a Resilient, Independent, and Prosperous Indonesia

Economic and fiscal strategy

A Short-term strategy: "maintaining economic resilience and protecting the people"

Economic Stability

- **Economic Diplomacy** (Trade & Investment Negotiations, Deregulation),
- **Collaboration** on Fiscal, Monetary, and Financial Sector

Protect The Business & People's Purchasing Power

- Fiscal incentives
- Social protection
- Subsidies & compensation

Budget Sustainability

- Efficiency and Reconstruction of Spending
- Deficit & Debt controlled
- Revenue optimization
- Fiscal Resilience: fiscal buffer & flexibility

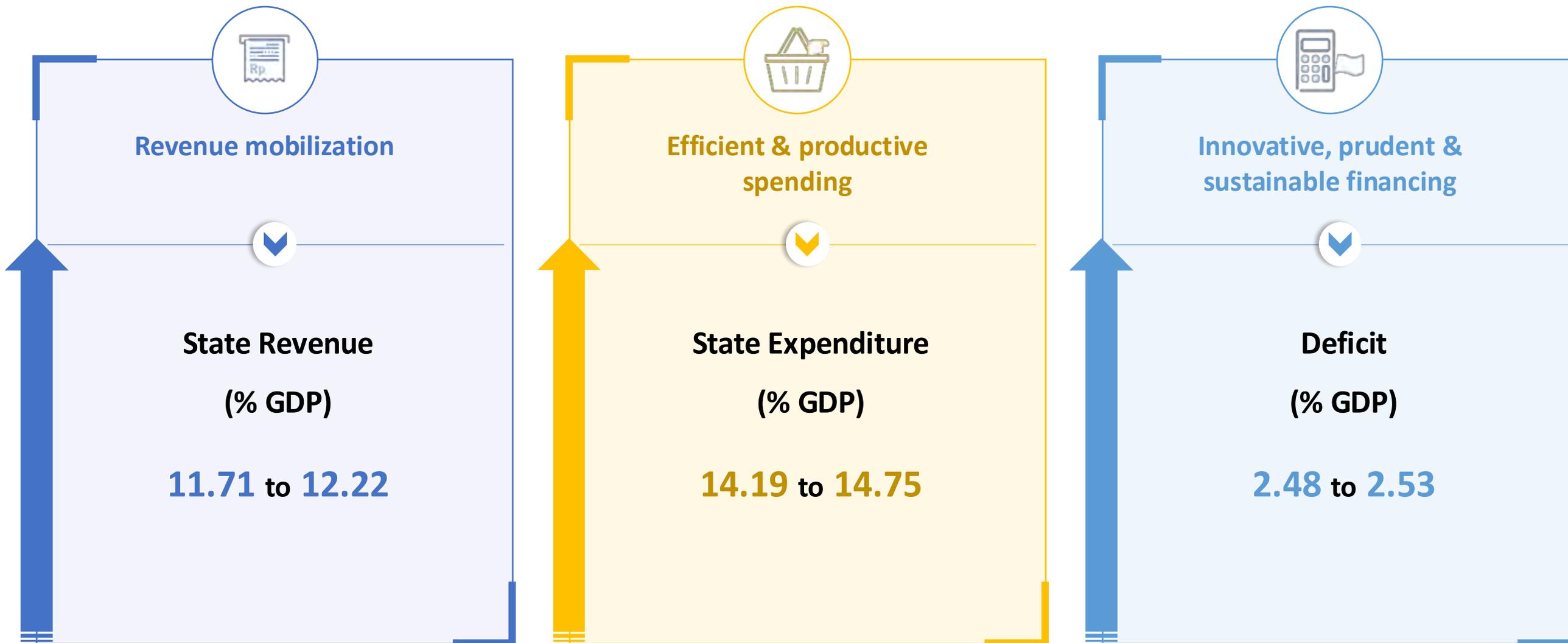
B Medium-term strategy: "supporting the development agenda optimally"

1	Food Security	3	Free Nutritious Meals	5	Health Programs	7	Universal Defense
2	Energy Security	4	Educational Program	6	Village Development Cooperatives & MSMEs	8	Accelerating Global Investment and Trade



Maintaining a Healthy and Credible State Budget

"Fiscal policy is designed to remain expansive, targeted, and measurable"





Macroeconomic Assumptions for Fiscal Policy to Build a Stronger Foundation for Development

Macroeconomic assumptions for 2026 budget



Economic growth (%)
2025 Budget: 5.2
5.2-5.8



Inflation (%)
2025 Budget: 2.5
1.5-3.5



10Y T-Bonds rate(%)
2025 Budget: 7
6.6-7.2



Oil Price/ICP (USD/BAREL)
2025 Budget: 82
60-80



Exchange rate (IDR/USD)
2025 Budget: 16,000
16,500-16,900



Lifting oil (tbpd)
2025 Budget: 605
605-620*



Gas lifting (tboepd)
2025 Budget: 1,005
953-1,017



03

STRATEGIC POLICY





Fiscal Policy Preparedness in Mitigating Global Volatility





Continuing Structural Reform Strategies While Maintaining Prudent Fiscal Governance and Anticipating Global Risks



Food security

“Nourishing stability, cultivating sustainability”

Energy security

“The backbone of resilience and growth”

Free nutritious meals (MBG)

“Empowering Indonesia through nutritious meals”

Educational program

“Quality education, many ways forward”

Health program

“Healthy people for strong and sustainable economy”

Village development, cooperatives, MSMEs

“Empowering communities, advancing the nation”

Universal defense

“A foundation for economic, Social, and political self-reliance
Toward equitable prosperity”

Accelerating global trade & investment

“strengthening Indonesia in the global value chain”



Food Security to Support Nation's Stability and Sustainable Development



Food is a

“source of potential crisis”.

In times of crisis, no country will allow their goods to be sold to us.

“The key is self-sufficiency. Food self-sufficiency in a broad sense and in a comprehensive sense”

Self-sufficiency of rice, corn, meat, milk

- Need to increase productivity and optimize existing as well as new land (including rice fields)
- Import of breeding cattle

Stable food prices

- Need to maintain supply availability and demand control
- Effective supply chain

Prosperous farmers and fishermen

- Need to reduce the burden of needs
- Drive productivity with capital and equipment support
- Scholarship for children of farmers and fishermen



Fiscal Support is Efficiently Deployed to Ensure Efficient Cost of Production, Price stability, and Farmer-Fisher Welfare

Improving farmers' terms of trade

Purchasing power

Social assistance, fertilizer subsidy of IDR 44.16tn (9.03 million tons), seed assistance of IDR 2tn (78.05 thousand tons)

Purchasing power

Social assistance (necessities, fuel subsidies, fish seed assistance)

Productivity

KUR IDR 8T, UMI, JKN, alsintan assistance of IDR 2.8tn (79,710 units), Alsintan Business Credit of IDR 300bn, farmer training, livestock assistance, absorption of agricultural products, transmigration program

Productivity

Working capital (KUR IDR 0.5tn, UMI), JKN, modern fishing equipment, absorption of fishermen's products, transmigration programs

Price stabilization

Interest subsidy for CBP, grain floor price (HPP) at IDR 6,500, rice floor price (HPP) at IDR 12,000, SPHP at IDR 12,750, food inflation maintained at 3%–5%

Raising hope

Scholarships for fishermen's children, access to livable housing





Energy Security is Essential for Safeguarding National Resilience, Economic Stability, and Sustainable Development

1 The upstream electricity ecosystem must be developed in partnership with the private sector

Investment needs

Infrastructure

- Power plant IDR 1,980tn
- Transmission IDR 460tn

Non infrastructure

- Capex IDR 180tn
- Interest IDR 100tn

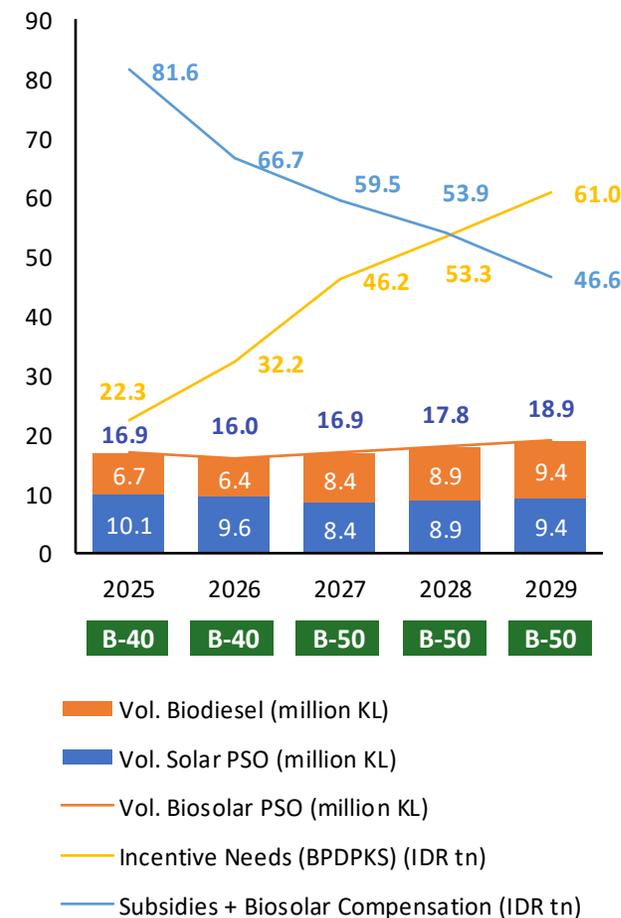
The private portion will be larger in fulfilling investments, especially investment in power plants

	Until 2029	Until 2034
Investment needs	IDR 1,410tn	IDR 2,820tn
New and renewable energy target	19%	23%

Source: Ministry of Finance

2 Accelerating biodiesel development is essential for energy and economic self-sufficiency

Roadmap simulation 2025-2029



Towards energy independence

- Control of well-targeted subsidized biosolar consumption
- Biodiesel incentive for public service obligation (PSO) sector
- Gradual adjustment of the biosolar retail selling price (HJE) from 2026 to 2028

Fiscal support

Projected needs for 2025-2029 IDR 87.2tn per year:

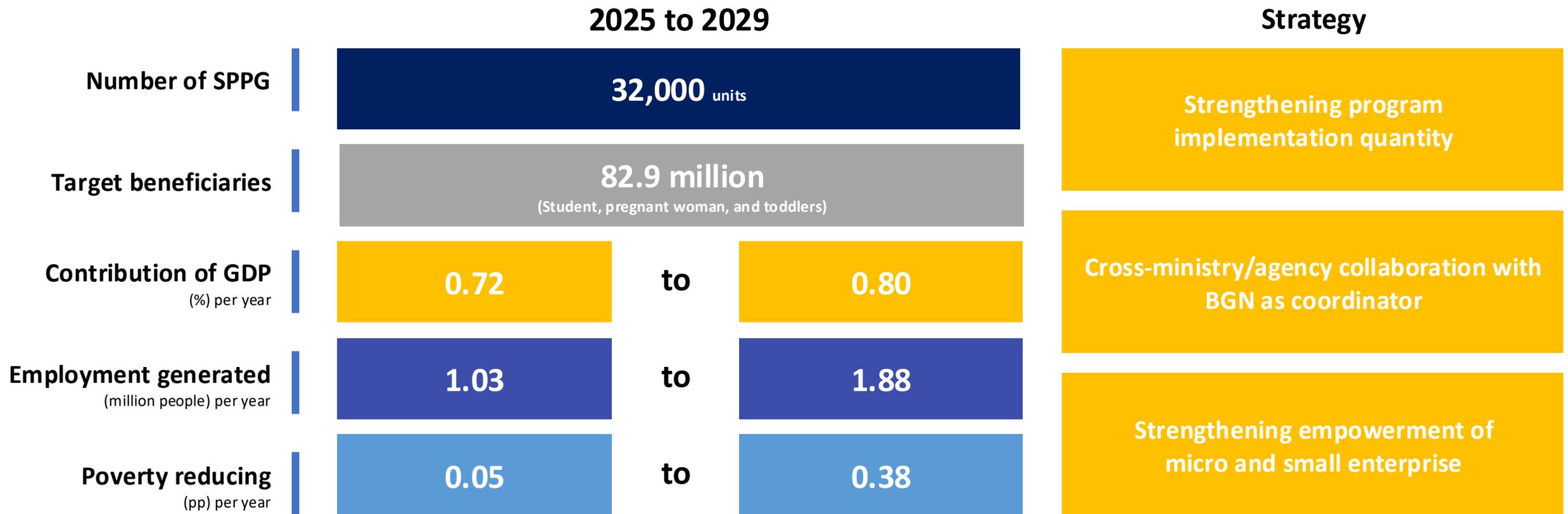
- Biodiesel incentive of IDR 35.8tn per year,
- Biodiesel subsidy and compensation of IDR 51.4tn per year



Support Human Capital Development Across Indonesia through the Free Nutritious Meal (MBG) Program



Free nutritious meal (MBG) program has a significant impact on the economy and welfare in the medium term





Achieving Quality Education through Diverse Educational Programs



Strategy



School Improvement
(School rehabilitation and renovation)



Development of Leading Schools
and People's Schools



Improving the Welfare of
Teachers and Lecturers

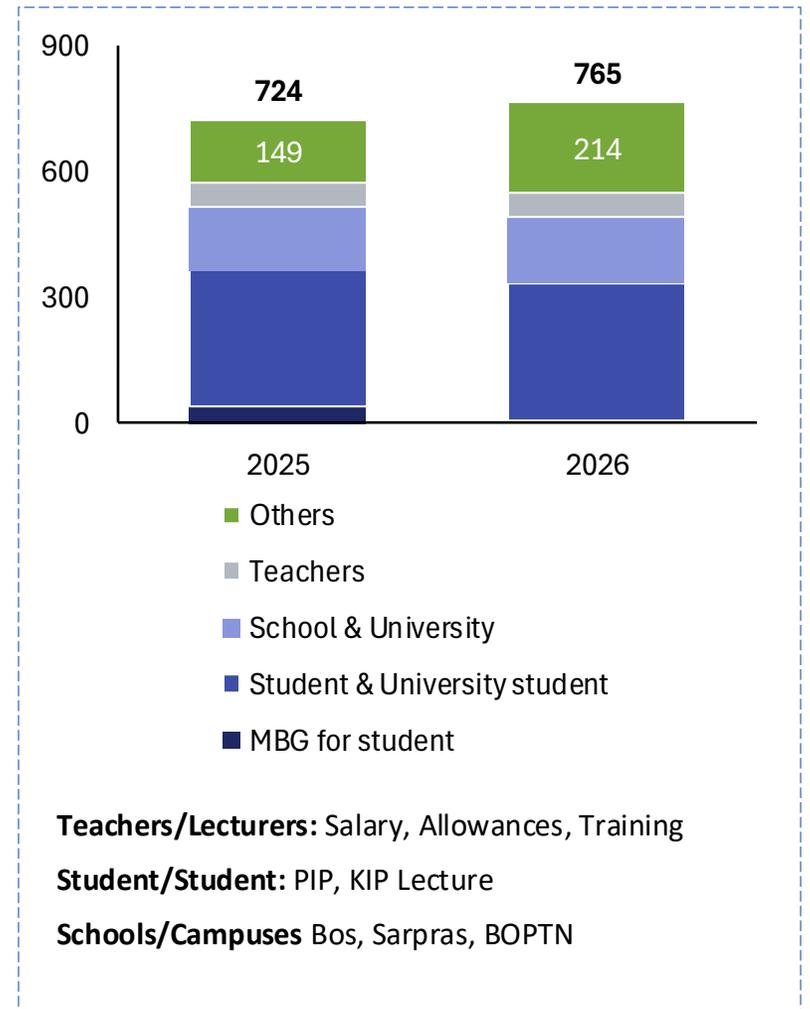


Provision of Scholarships/Educational
Assistance al. through PIP, KIP Lectures, and
LPDP



Utilization of digital software/technology for
STEM learning

Budget projections (tn Rupiah)





Empowering Indonesia through Village Development, Cooperatives, MSMES



Red and white village cooperative

Driver of village economy

- Accelerating the establishment of 80,000 merah putih village/ village cooperatives throughout Indonesia.
- Strengthening the supply chain of agricultural products and basic necessities.
- Functions as a warehouse for storing and distributing agricultural products as well as the distribution of basic necessities.

Implementation Model:

1 New cooperatives

For villages that do not have cooperatives

2 Improvement of cooperative structure

More efficient and adaptive to the needs of the village

3 Cooperative revitalization

Optimizing the potential of existing cooperatives

Improving the welfare of rural communities, empowering the local economy, and achieving financial independence



Red and White Village Cooperative (KDMP) as a Pillar of a People-Centered Economy

- Presidential instruction (INPRES) No. 9 of 2025 on accelerating the establishment of KDMP

Objectives

- Village empowerment
- Food self-sufficiency
- Independent villages
- Centers for economic and social services
- Community welfare

Funding

- National and regional budgets, Village funds (APBDEs)
- Himbara (State-owned banks): Soft loans (Capex: IDR 2.5 bn) / KUR scheme (Opex: IDR 0.5 bn)
- Other legitimate sources (CSR, existing cooperatives members)

Target

- **Target of establishing 80,000 cooperatives** (including new formations, development of existing cooperatives, and revitalization of inactive ones)
- Expected to be established by July 12, 2025



80,000

Cooperatives

1

Establishing new cooperatives

52,266 villages/urban wards currently have no cooperatives



2

Developing existing (active) cooperatives

31,213 villages/urban wards have cooperatives, consisting of 4,225 active KUD (Village Unit Cooperatives) and 26,988 active non-KUD cooperatives



3

Developing existing (active) cooperatives

4,641 KUD (Village Unit Cooperatives) are inactive



Business units

- Cooperative Office
- Basic Necessities Store
- Pharmacy
- Village Clinic
- Village Warehouse
- Village Logistics
- Savings and Loans
- Other Businesses (e.g., subsidized fertilizer agents, LPG, etc.)



Universal Defense for a Sovereign Indonesia

The National Defense System is a **universal defense system** that:

- Involves **all citizens**, territories, and national resources
- Uphold **national sovereignty, territorial integrity**, and **the safety of the entire nation** against all threats ...



Indonesian Military Force

Globally ranked
13 (out of 145)

INDICATORS

Military Personnel

- Active: 400.000
- Reserve: 400.000
- Paramilitary: 280.000

Air Forces

- Total Aircraft: 451
- Fighter Aircraft: 41
- Helicopter: 192

Army Forces

- Tank: 314
- Armored Combat Vehicle: 1.444
- Towed Artillery: 356

Naval Forces

- Total Ships: 282
- Frigate: 7
- Submarine: 5

Year 2013 - 2022

- Indonesia ranked the **29th** in global defense spending among 175 countries
- Indonesia defense budget = **0,8% GDP**



Challenges

- Global geopolitical dynamics and regional tension escalation
- Threats, challenges, obstacles, and disruptions (ATHG) from domestic and international sources
- Cybersecurity threats from advanced technology and anomalous data traffic
- Suboptimal defense budget (<1% of GDP)
- Limited availability of strategic military equipment

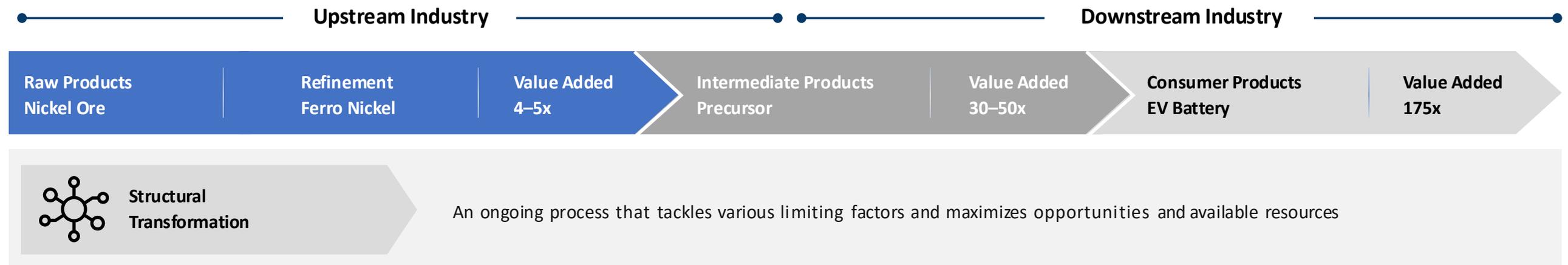


Economic Transformation is Essential for Achieving the Development Agenda

Economic transformation

A more productive, higher value-added, diversified, inclusive, and greener economy

Case: **Nickel Down streaming**



Objectives



Higher Productivity



Accelerated Economic Growth



Strengthening economic resilience and inclusivity

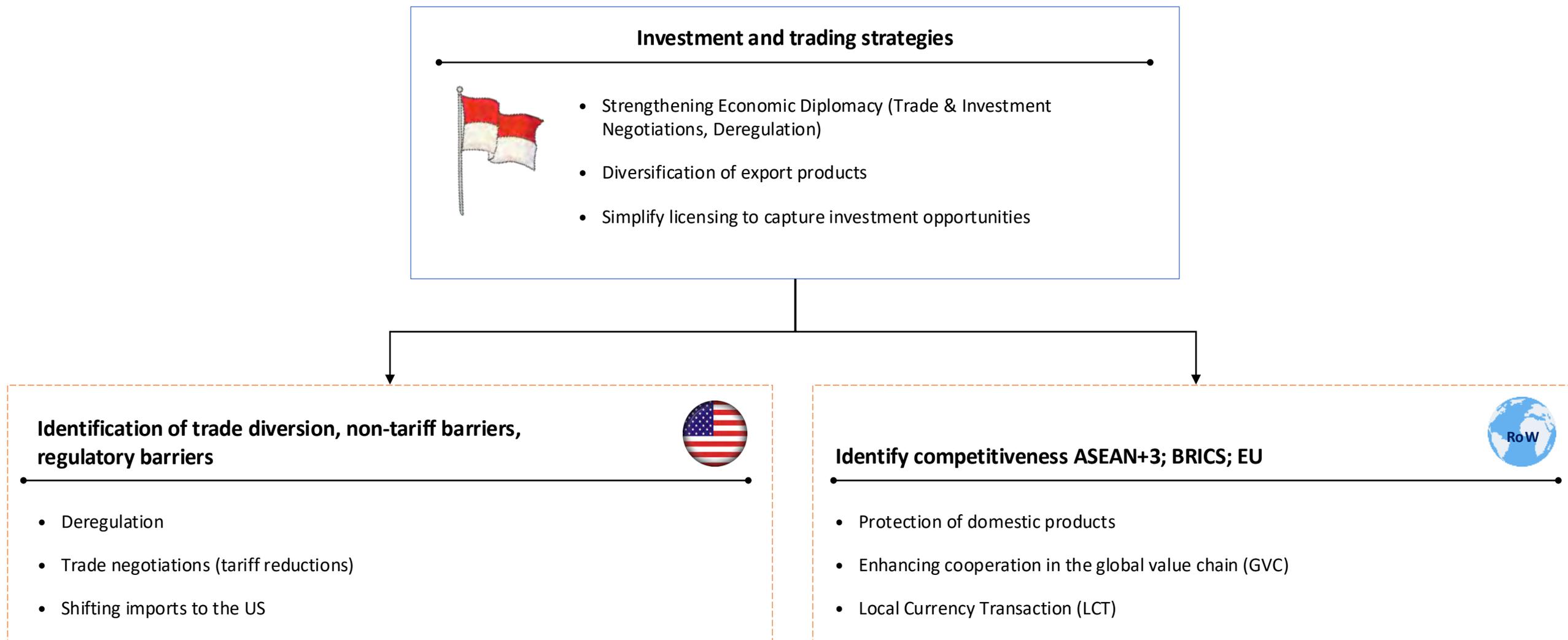


Sustainable Growth



Accelerating Global Investment and Trade

Enhancing productive investment through the continued strengthening of Indonesia's role in the global value chain





The Government Remains Committed to Advancing Its Reform Agenda

- Implementing comprehensive structural reforms to enhance productivity, boost investment, and increase export competitiveness



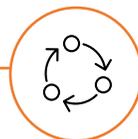
Fiscal reform

- **Tax reform**

- On December 31, 2024, President Prabowo Subianto announced the increase VAT rates from 11% to 12% as of Jan 1, 2025 applies to only goods and services already subject to luxury goods sales taxes
- Earlier in December 2024, the government introduced an IDR 38.6tn stimulus packaged for 2025 which includes:
 1. rice assistance of 10kg/month for 16 million food aid recipients
 2. a 50% discount on electricity bills for customer with a maximum capacity of 2,200 VA
 3. incentives for EV and hybrid vehicles
 4. financing for labor-intensives industries
 5. certain income tax incentives for employees earning up to IDR 10 million/month

- **Law on intergovernmental transfer**

- Revise the management of Transfers- to-Regions to mitigate inequality
- Aligning central and local government expenditures



Omnibus law on Job creation

- Launched OSS (Online Single Submission) in 2021 to speed up business licensing progress
- Accelerating National Strategic Project (PSN)
- Climate Change Fiscal Framework (CCFF) & Energy Transition Mechanism
- Implementing Risk-Based Business Analysis to Encourage FDI
- Attracting investment to improve priority sectors
- Establishment of Sovereign Wealth Fund (INA)



Omnibus law on financial sector development

- A financial sector that is deep, innovative, efficient, inclusive, reliable, strong, and stable
- Enhancing access to financial services
- Promoting long-term financing sources, boosting competitiveness and efficiency
- Developing financial instruments and strengthening risk mitigation and reinforcing investor and consumer protection



DANANTARA— SOE Super Holding— for Economic Acceleration Through a Professional Approach and Good Governance



Prudent & transparent management

Main functions

Investment acceleration

Enhancing competitiveness

Strengthening synergies & asset efficiency

High value-added investment creation strategy & economic resilience



Natural resources downstream



High value-added manufacturing



Food security



Digital infrastructure



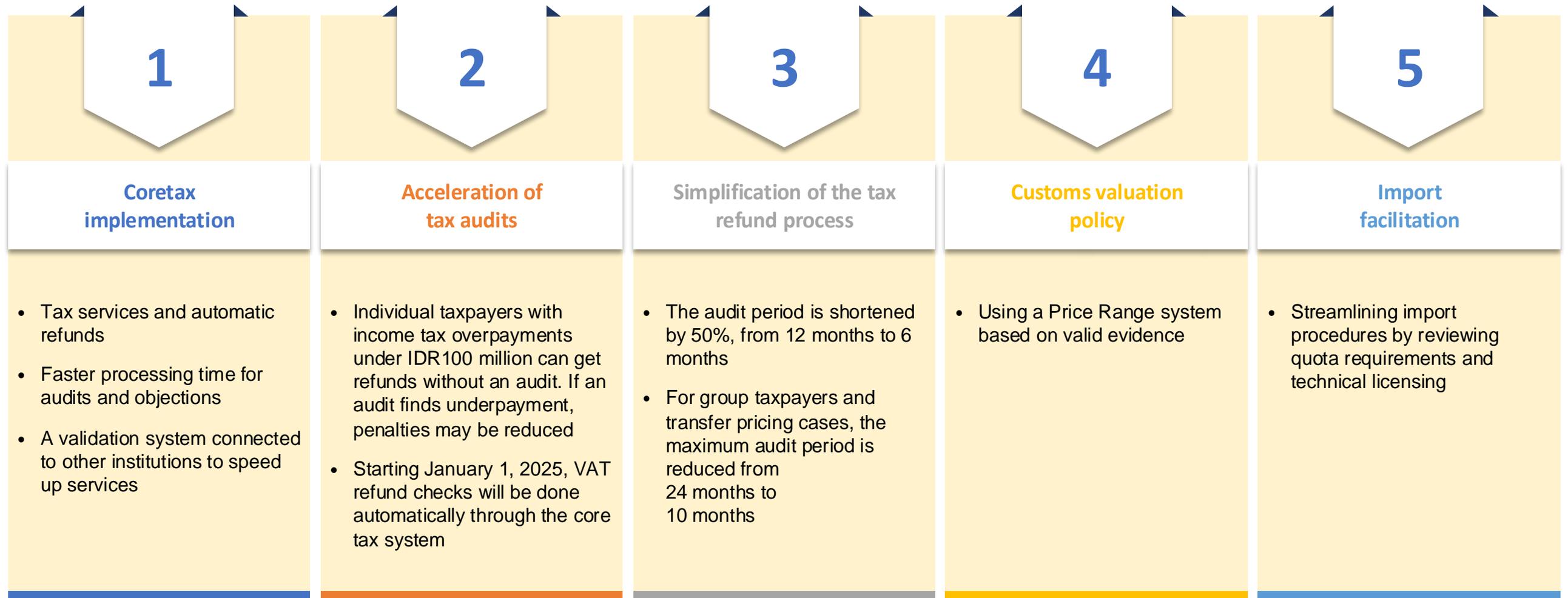
Strategic upstream



Renewable energy



Structural Reform and Deregulation of Customs Taxation to Support External Trade





Structural Reform and Deregulation of Customs Taxation to Support External Trade (cont'd)

6

Simplification of import licensing and commerce

- Improving licensing processes through data-driven adjustments aligned with supply and demand
- A shift in monitoring from border to post-border, with border inspections limited to goods/materials related to Health, Safety, Security, and Environment (HSSE)

7

Implementation of ai-based HICO X-RAY system

- Strengthening non-intrusive customs supervision at seaports and airports. This AI-based system will enhance the analysis of scanning results

8

National logistic ecosystem (NLE)

- The digitally integrated NLE across ministries reduces logistics costs by streamlining, speeding up, and ensuring transparent processes. It covers 53 seaports and 7 airports

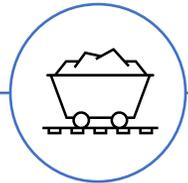
9

Other policies

- Harmonization of customs policies and administration for import and export activities. Ensuring alignment between upstream and downstream policies, while minimizing restitution
- Improvement of processes related to trade protection policies to support the competitiveness of business actors (trade remedies)



Fiscal and Non-Fiscal Support to Attract FDI

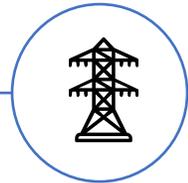


Raw materials and equipment

Maintain efficient and sustainable supply chain availability, as well as boost liquidity

Incentives, including

- Import duties exemption on machinery, equipment, and raw materials
- Tax exemption in the context of imports for strategic goods, such as production machinery
- VAT exemption on domestic purchases of production machinery
- Accelerated restitution for compliant taxpayers and exporters

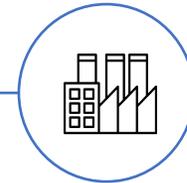


Infrastructure and systems

Encouraging the development of integrated infrastructure and areas

Including

- Special Economic Zones (KEK) throughout Indonesia that support FDI in various sectors such as manufacturing industries (e.g. downstream palm oil, base metals, fisheries, rubber), technology development (Hi-tech), Health, Tourism and creative economy. Currently, there are 25 KEK being developed throughout Indonesia
- Bonded areas, and bonded warehouses
- Facilities and support on PPP schemes (VGF, PDF and AP)
- Line Ministries expenditure for connectivity infrastructure development



Investment and market access

Fostering a conducive investment climate and global market access

Tax Facilities, including

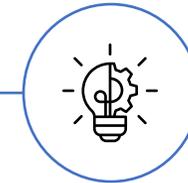
- Tax Holiday. Currently, Tax holidays have been given to 275 investments, of which 222 projects (81%) are FDI
- Tax Allowance. Currently, Tax allowance has been given to 152 investments, of which 78 projects (51%) are PMA

Non-Fiscal

- Licensing acceleration
- Export facilities from LPEI

International Cooperation

- FTA and Comprehensive Economic and Partnership Agreement (CEPA) with various trading partners/countries/regions. Currently, there are 9 FTAs and 9 CEPAs
- Tax Treaty with partner countries. Currently, there are 71 Tax Treaties that are signed and in effect



Research and human resources

Encouraging the development of human resources and R&D in line with industry needs

Fiscal Support, including

- Super deduction R&D
- Super deduction of vocational activities
- Allocation of education funds through ministries and agencies to improve human resources
- Research endowment fund and allocation of research funds through BRIN



THANK YOU



[Fiskal.id/IRU](https://fiskal.id/IRU)

