



KEMENTERIAN KEUANGAN
REPUBLIK INDONESIA

Economic and Fiscal Updates

Version: July 2020

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REPUBLIK INDONESIA

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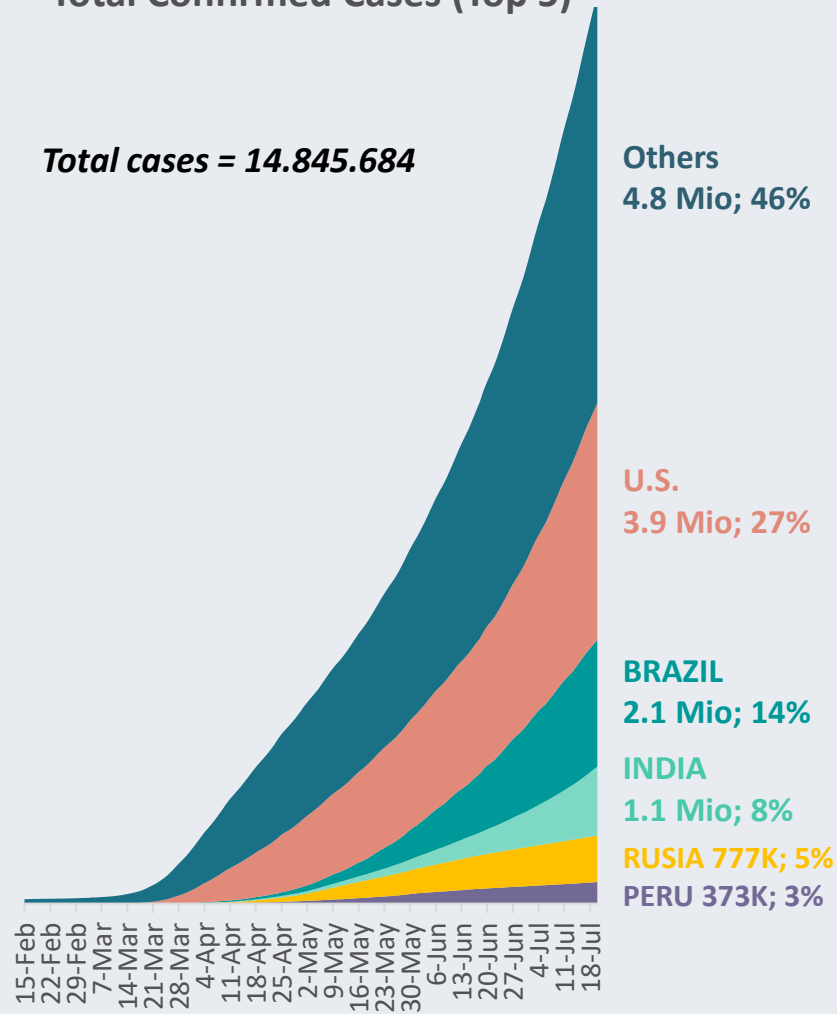
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INDONESIA'S COVID-19 CASES UPDATE

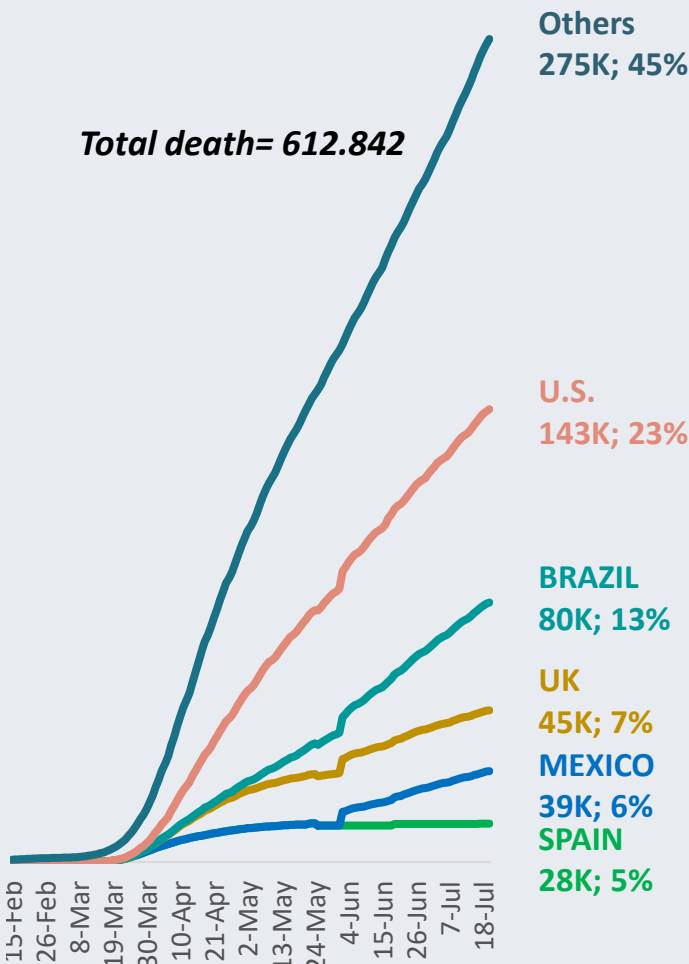
Total Confirmed Cases (Top 5)

Total cases = 14.845.684

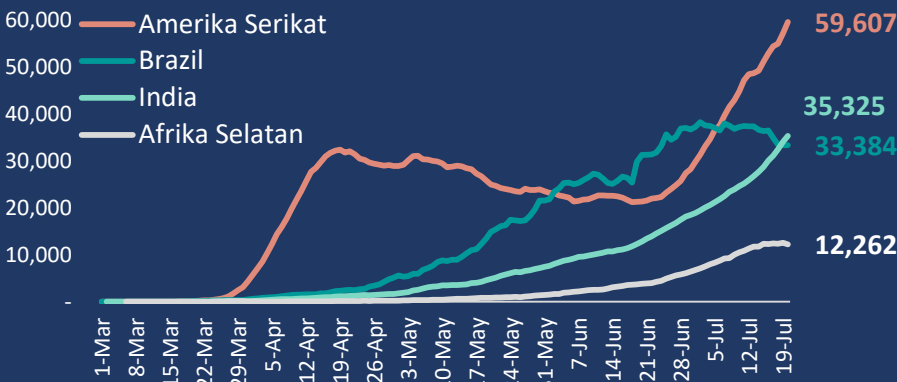


Total Death (Top 5)

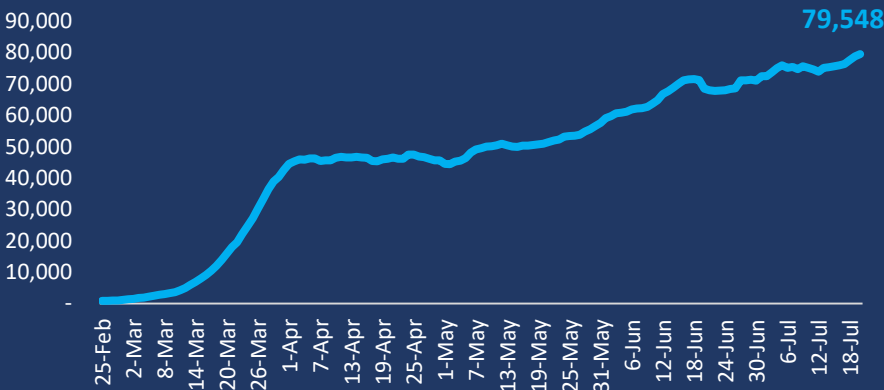
Total death= 612.842



Daily Cases – Top 4 Countries (7-day moving average)



Daily Cases - Rest of The World (7-day moving average)



Source: worldmeters.info/coronavirus as of 20 July 2020

For 6 months, the the pandemic epicentre continued to shift: China → Europe → U.S. → U.S. and Developing Countries

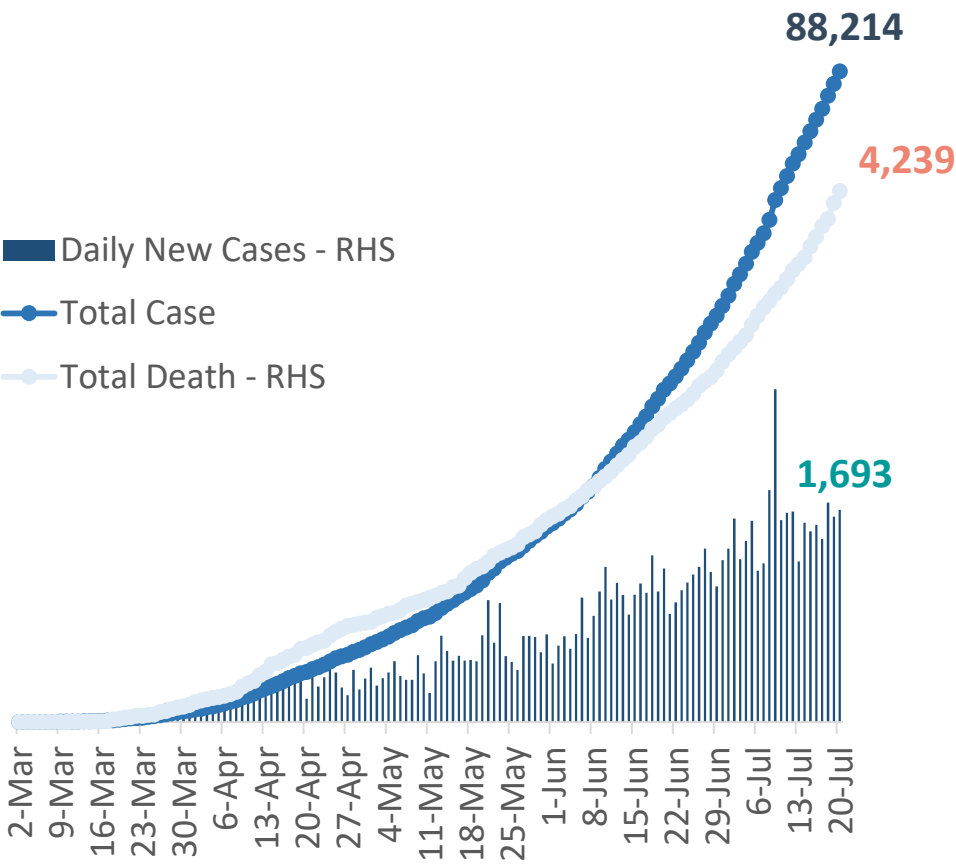


THE SPREAD HAS BEEN GRADUALLY REDUCED IN SEVERAL HOTSPOTS

Nevertheless, there are increasing cases in new epicenter, such as East Java (Jawa Timur)

COVID-19 Updates in Indonesia

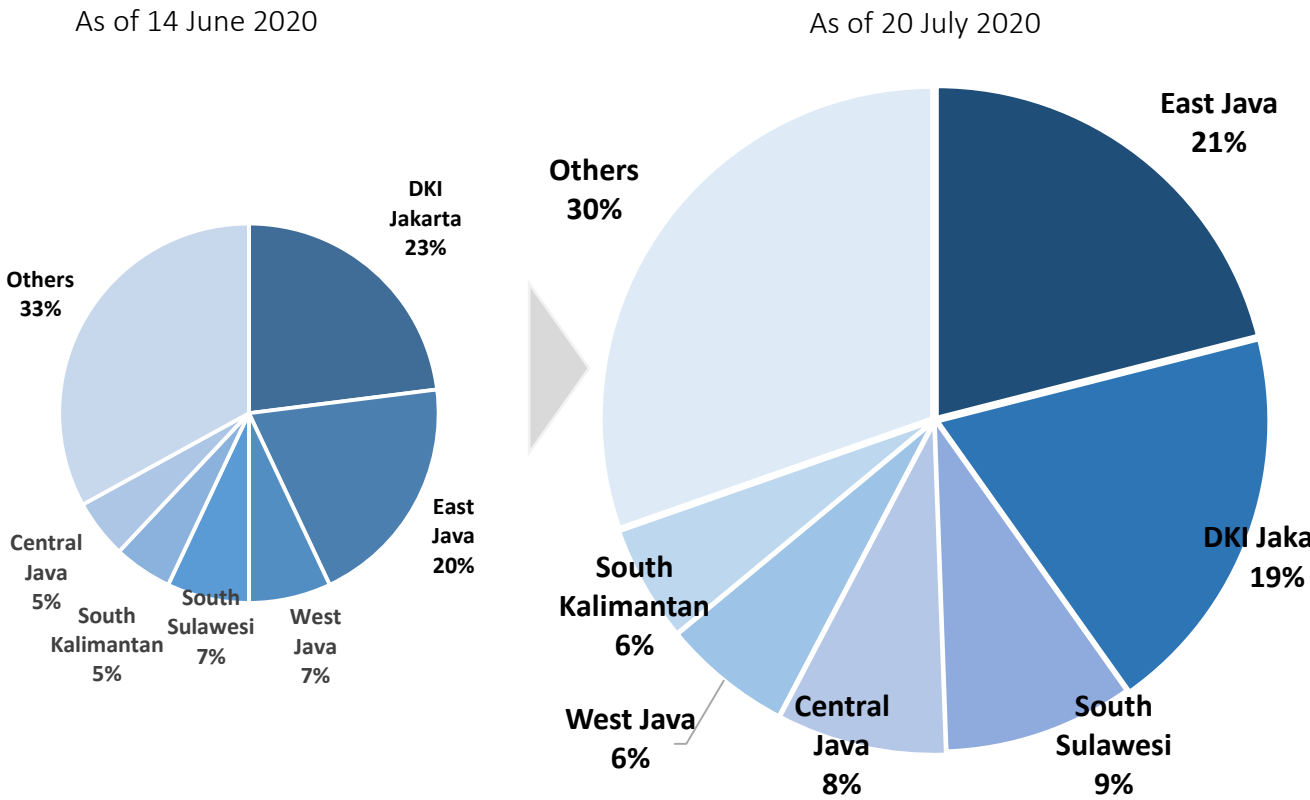
Source: Ministry of Health, as of 20 July 2020



Recovered Patients= 46,977 People (53% of total positive cases)

COVID-19 Distribution in Indonesia

Source: Ministry of Health, as of 17 July 2020



The outbreak epicenter shifted from DKI Jakarta to Jawa Timur within a month



SEVERAL INDICATORS HAVE BEEN INDICATING ECONOMIC IMPROVEMENTS

Along with the relaxation of social restriction policy in several regions, including Jakarta



Fiscal

- Tax revenue is still sluggish, but has been starting to improve in certain sectors
- Relaxation of social restriction and improved international trade has been bolstering tax collection
- Sufficient budget financing and manageable cash flow
- Social spending has been accelerated



Real Sector

- Consumption has been gradually improved
- Construction sector has started to reignite
- Domestic production has been slowly recovered



External

- Bank Indonesia's international reserve increased, supported by the issuance of government bond
- Export import trend is promising, with the potential of export to China that has been improving



Monetary and Financial Sector

- *Foreign capital has been flowing into the domestic financial market*
- *Government bond yield has reverted to the prior COVID-19 level, with lower foreign holding*
- Ample liquidity in banking sector
- Stable inflation

Indicators in positive trajectories in June 2020: Consumer Confidence Index, PMI, Electricity consumed by businesses and industries, Trade, Tax Collection, Custom & Excise Collection, Government Spending, Liquidity

- In general, economic condition in Q2 is worse than previous quarter. It is projected to be the slowest economic activity this year
- Starting in June it began to improve, indicating a promising performance to support the economic growth afterwards
- Nevertheless, uncertainty is still high and its sustainability has to be tested
- Government spending is an important capital to overcome the negative impact of COVID-19
- The effective implementation of Indonesia's relief package (National Economic Recovery Program) is the main driver of economic growth in recovery phase





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Economic Updates

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PANDEMIC COVID-19 GIVES DOMINO EFFECTS TO SOCIAL, ECONOMIC, AND FINANCIAL ASPECTS



HEALTH

The rapid spread of COVID-19 creates a **health crisis** with the absence of vaccines, drugs, and limited equipment and medical personnel.



SOCIAL

The effort to flattening the outbreak curve has consequences on: **the major reduction of economic activities** that push up unemployment in various sectors, including the informal sectors.



ECONOMY

Economic performance has been slowing down: consumption has been disrupted, investment has been hampered, exports and imports have contracted. Economic growth has slowed/ fallen sharply.



FINANCE

Volatility in the financial sector had occurred immediately since the outbreak emerged along with the **weakening investor confidence** and “flight to quality”

The financial sector is also affected through the decline in the performance of the real sector, where **NPL, profitability and solvency of companies** are under pressure.



COVID-19 PANDEMIC CAME AS AN UNPRECEDENTED CHALLENGE FOR GLOBAL ECONOMY

Impacted heavily on economic activities and economic performance globally.

Global economic environment has been challenging in the last couple of years ...



... but the world has not prepared for an unprecedented event such as COVID-19 pandemic.

COVID-19 PANDEMIC

Gives shocks in both demand and supply side, creates domino effects in several aspects:

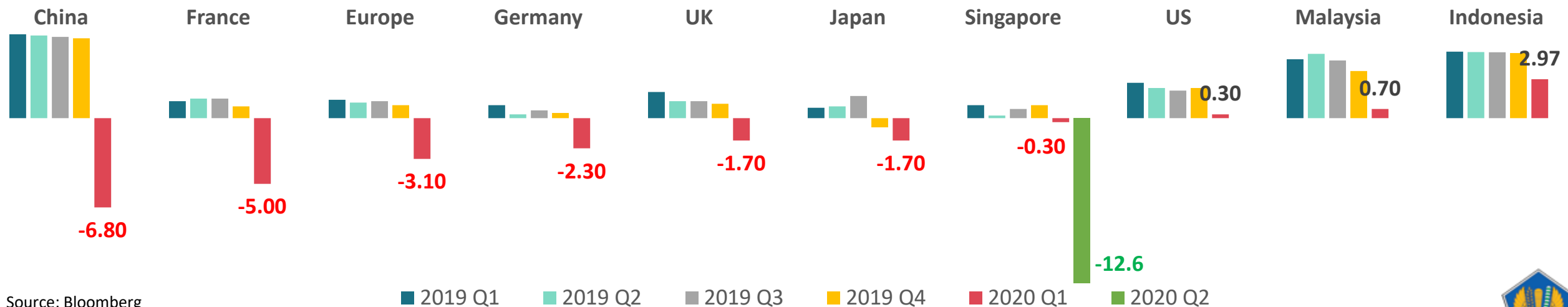
HEALTH

ECONOMY

SOCIAL

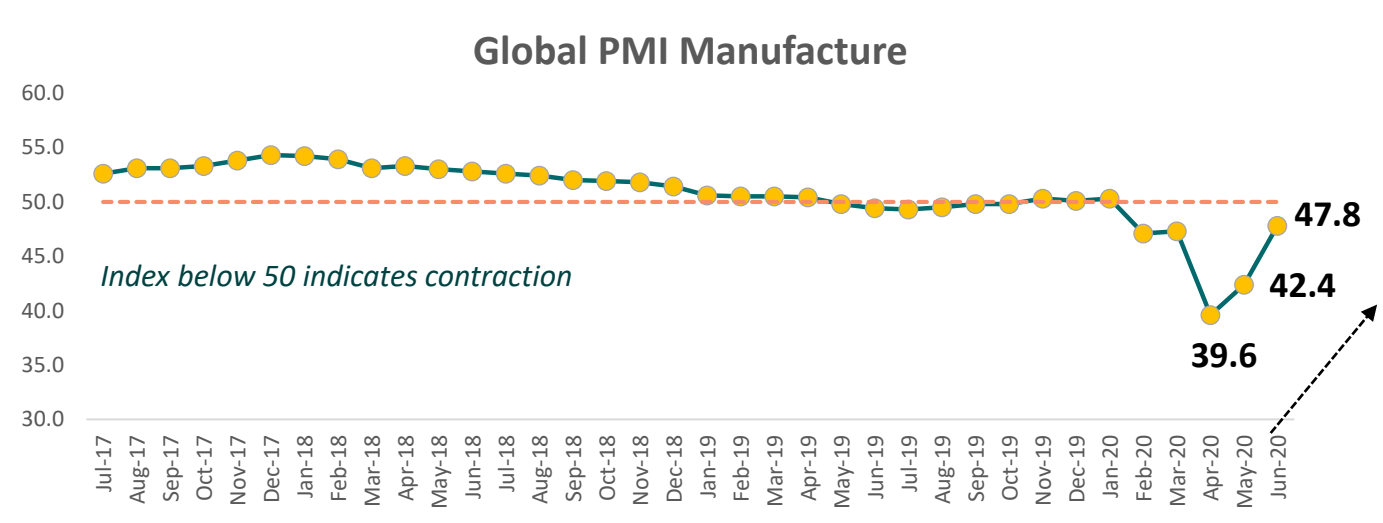
FINANCE

Impact of the pandemic is already reflected in deep contraction and significant slowdown of 2020 quarterly (yoy) economic growth across countries.



HOWEVER, GLOBAL ECONOMY STARTS TO SHOW SIGNS OF IMPROVEMENT

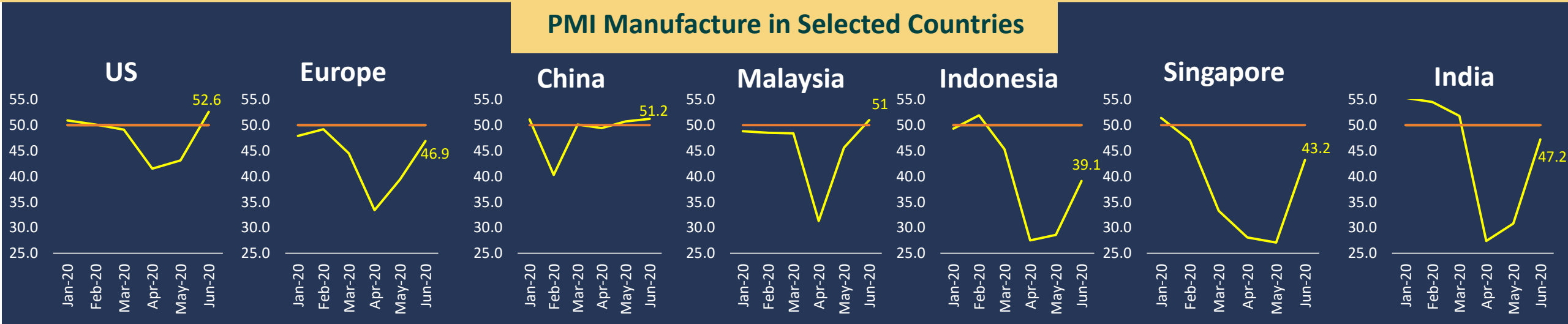
Manufacturing activity has also been improving starting in June



- Global economic activity continues to improve although still in the contraction territory.

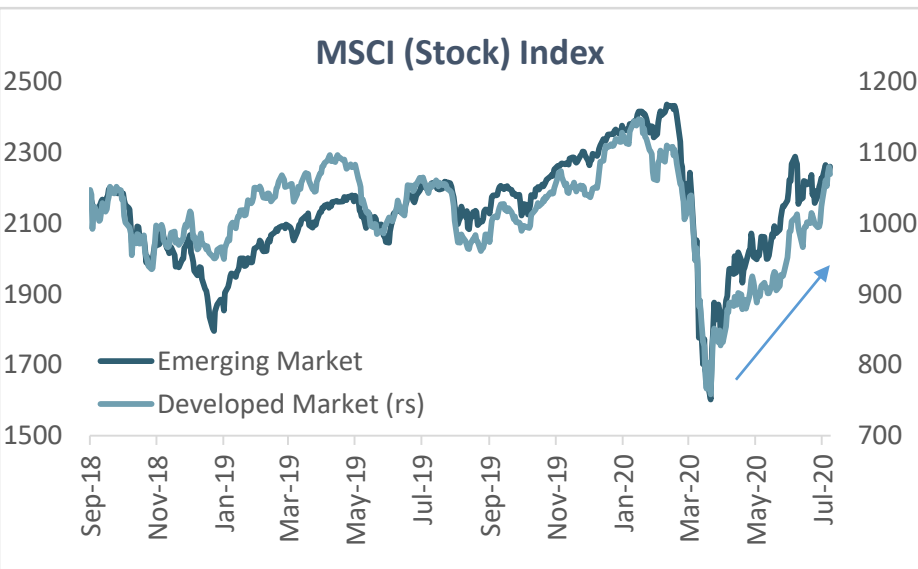
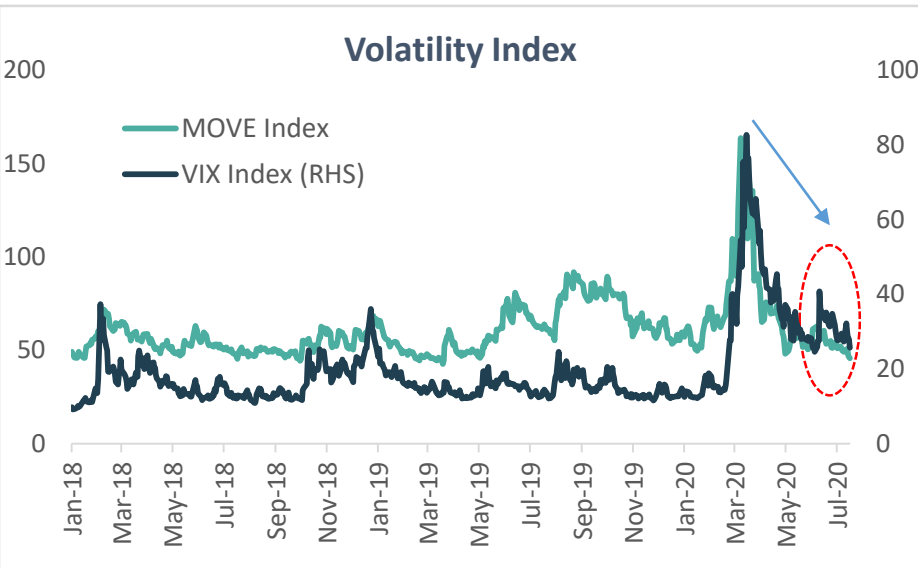
- PMI data in June showed that **several countries have already back to expansive zone** such as China, US, and Malaysia.

Source: Bloomberg

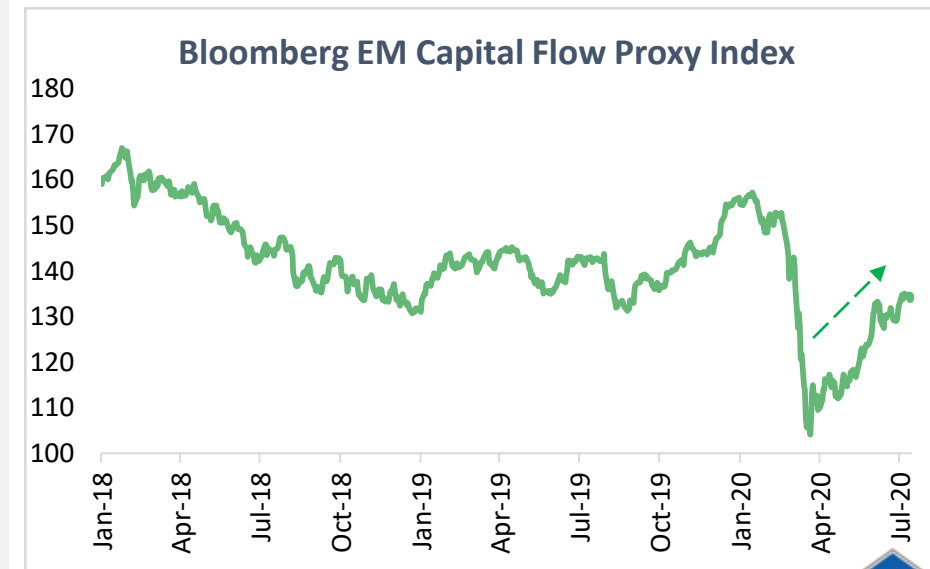
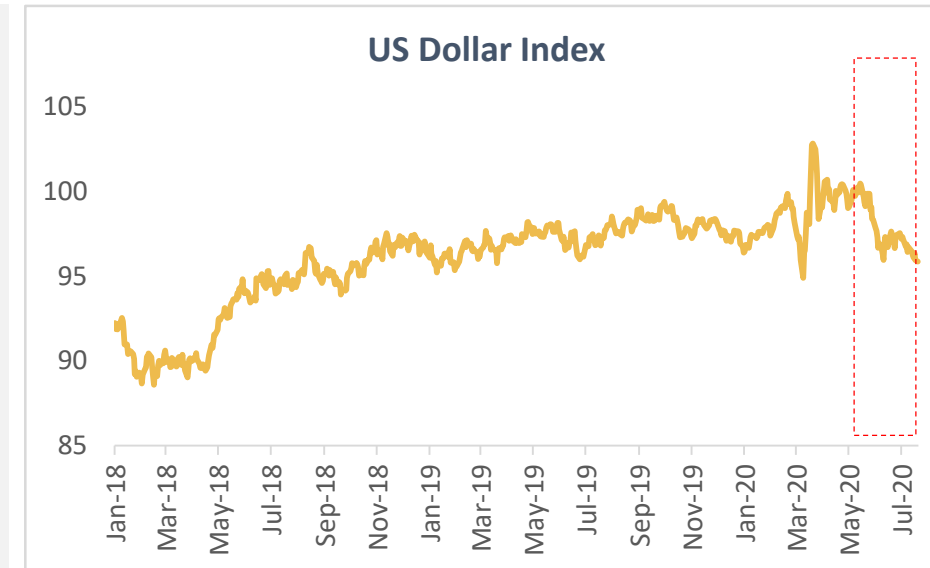


JITTERY IN FINANCIAL MARKET HAS BEEN CALMED

Foreign capital has been flowing back to EMEs, although there is a negative sentiment over the growing concern of second wave infection.



- Global financial sector performance has been moving towards positive trend since April 2020.
 - Volatility index (VIX & MOVE Index) has been declining.
 - Stocks index both in advanced and developing economy has rebound.
 - Capital inflows returned to emerging markets.
- Nevertheless, there was quite a big shock on June 11th driven by growing concern of second wave infection.
- On the other hand, US dollar was slightly pressured on June due to ongoing racial issue and problems in handling COVID-19, thus lowering investor expectation.

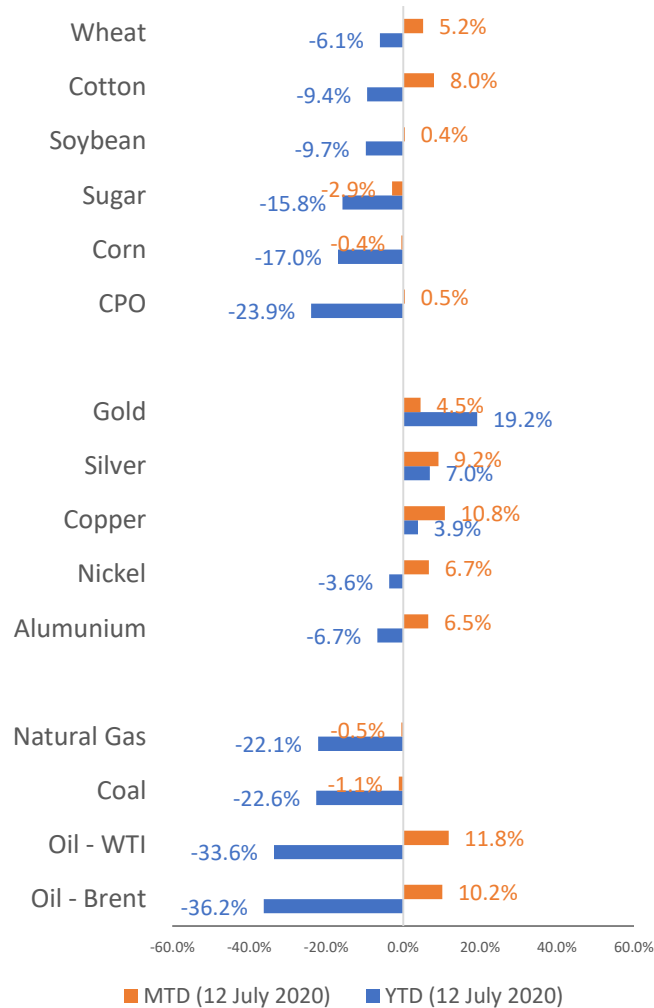


GLOBAL COMMODITY PRICES HAS BEEN SLOWLY RECOVERED

We expect that it would support Indonesia economic recovery

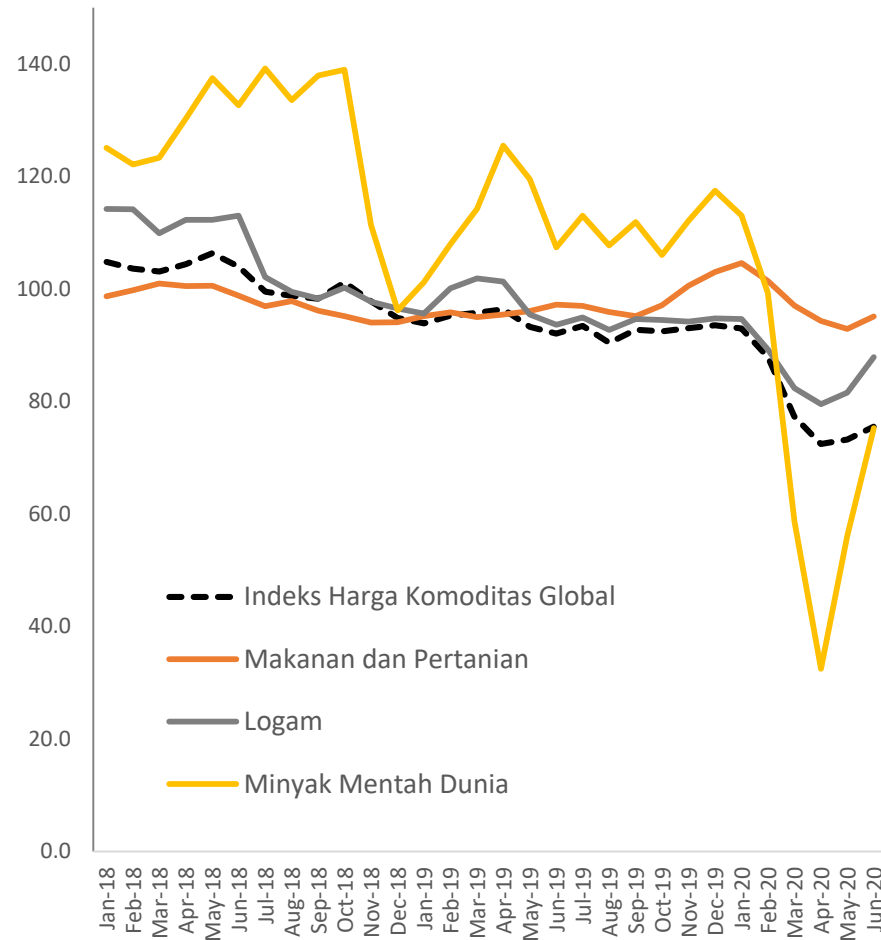
Main Commodity Prices

Source: Bloomberg



Commodity Price Index

Source: IMF, 2012 = 100



- Global commodity prices continued to strengthen in June, along with improved demand.
- Oil prices continued to rebound and were in the range of US \$ 40 per barrel. Expectations of improved demand and an agreement to cut OPEC's production are the main factors driving prices.
- Prices of agricultural and food commodities which previously slowed down in June have also recorded a rebound, particularly driven by the prices of palm oil, sugar and dairy products.
- On the other hand, gold prices continue the upward trend which also indicates the attitude of investors who see the uncertainty of the global economy is still high.



GLOBAL GROWTH PROJECTIONS IN 2020-2021 STILL POSSESS SEVERAL KEY RISK

Projections made by reputable institutions are divergent

IMF			OECD			World Bank		
	2020	2021		2020	2021		2020	2021
Jan Forecast	3.3	3.4	Mar Forecast	2.4	3.3	Jan Forecast	2.5	2.6
Apr Forecast	-3.0	5.8						
Jun Forecast	-4.9	5.4	Jun Forecast	-7.6* s.d -6.0	2.8* s.d 5.2	Jun Forecast	-5.2	4.2

*) Double hit scenario OECD that assumes second wave in 2020

Source: IMF, OECD, World Bank

Other risks that are potentially affect global economy



- Second wave of COVID-19
- International geopolitical tension, including AS-Tiongkok
- Domestic geopolitical tension, social unrest in AS
- Tighter global liquidity



COVID-19 CREATES SHOCKS TO INDONESIAN ECONOMY, BOTH ON DEMAND AND SUPPLY SIDES

Indonesia's economy grew by 2.97% year-on-year in the first quarter of 2020

2.97%

Indonesia GDP Growth Q1 2020

(yoy)

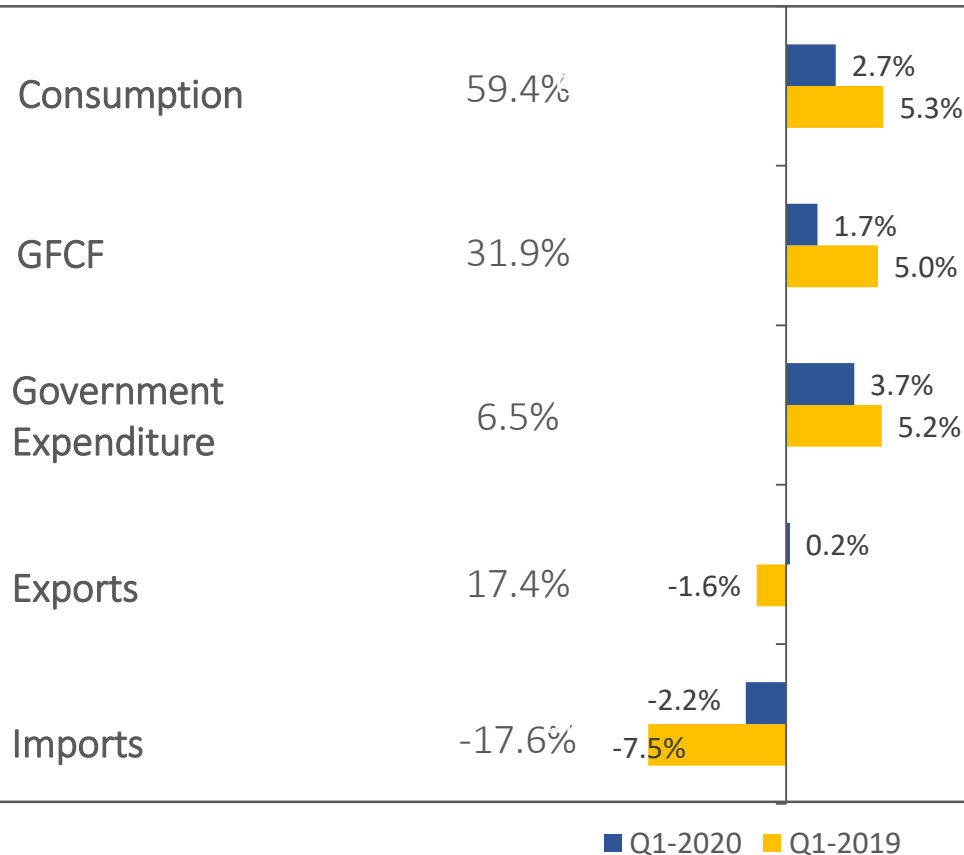
- COVID-19 was started in early March, in Indonesia
- Yet the impact has been substantial in Q1
- Q2 will be the lowest point
- Q3 is predicted as the early stage of economic recovery, as the social restriction has been gradually relaxed

Source: BPS

DEMAND

Share
to GDP

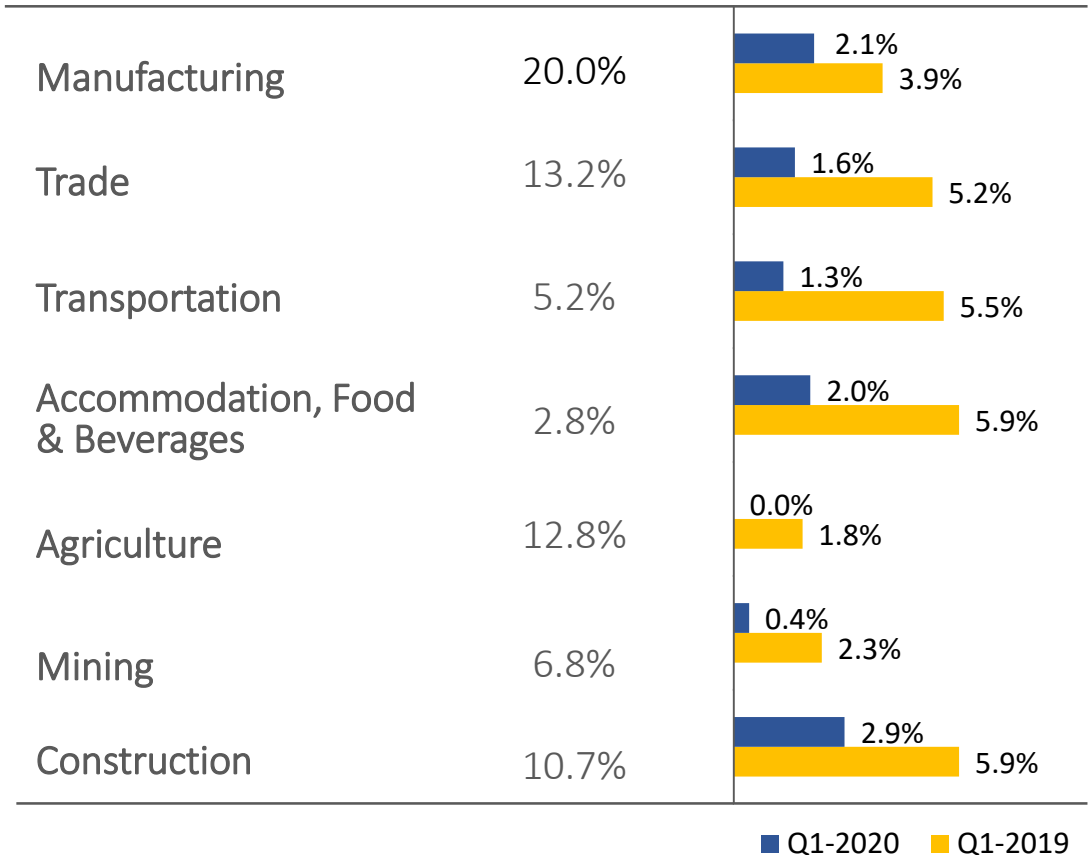
Growth



SUPPLY

Share
to GDP

Growth

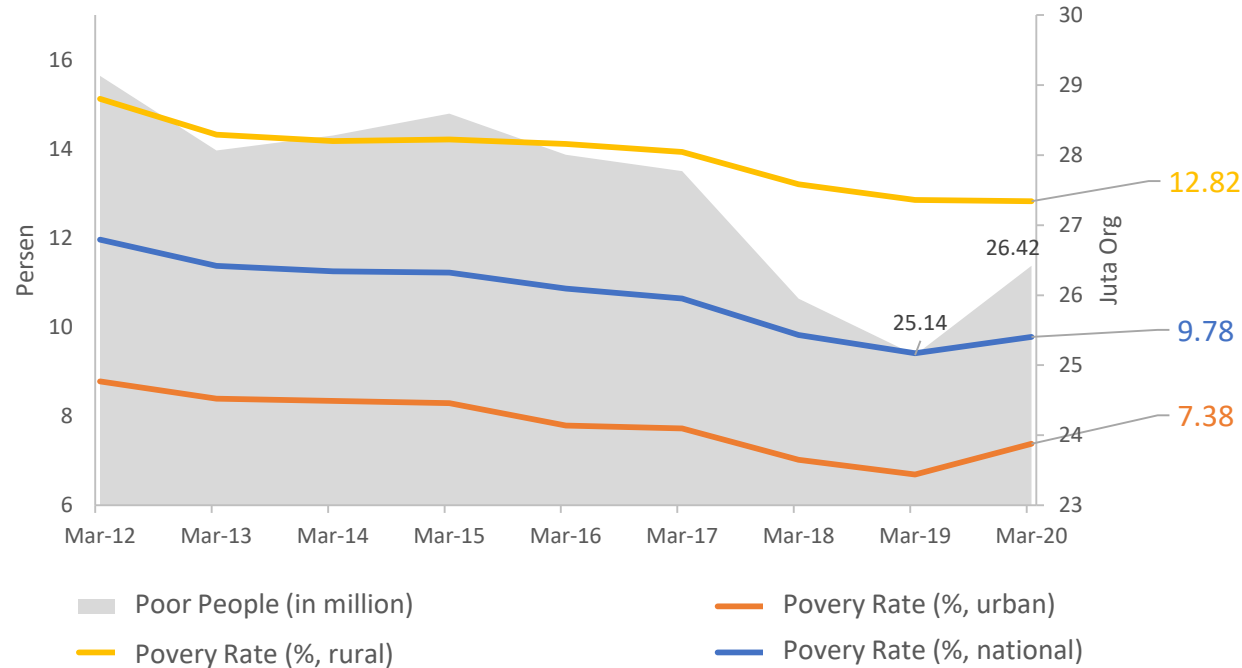


POVERTY RATE INCREASED IN MARCH 2020 DUE TO THE COVID-19 PANDEMIC

The social safety net programs, as part of relief packages, plays important role in supporting this group

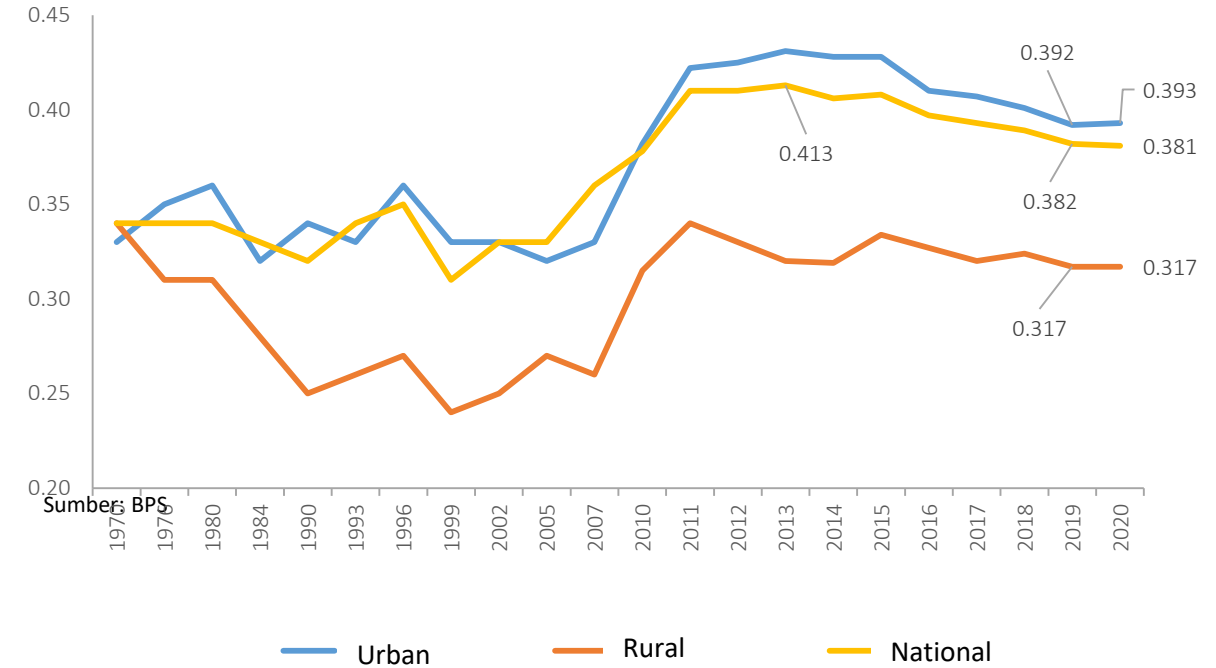
Poverty Rate

Source: BPS, as of March 2020



GINI Ratio

Source: BPS, as of March 2020



- Poverty level increased, especially in Jawa that increased 0.37 basis point or equivalent to 1.28 million of newly poor (or 1.63 million people compared to September figure)
- Consequently, GINI ratio has increased
- The government has been implementing the relief package, which part of it is the broadening of social safety net program
- This program includes cash transfer for poor, food subsidies, pre-employment cards, and electricity subsidy

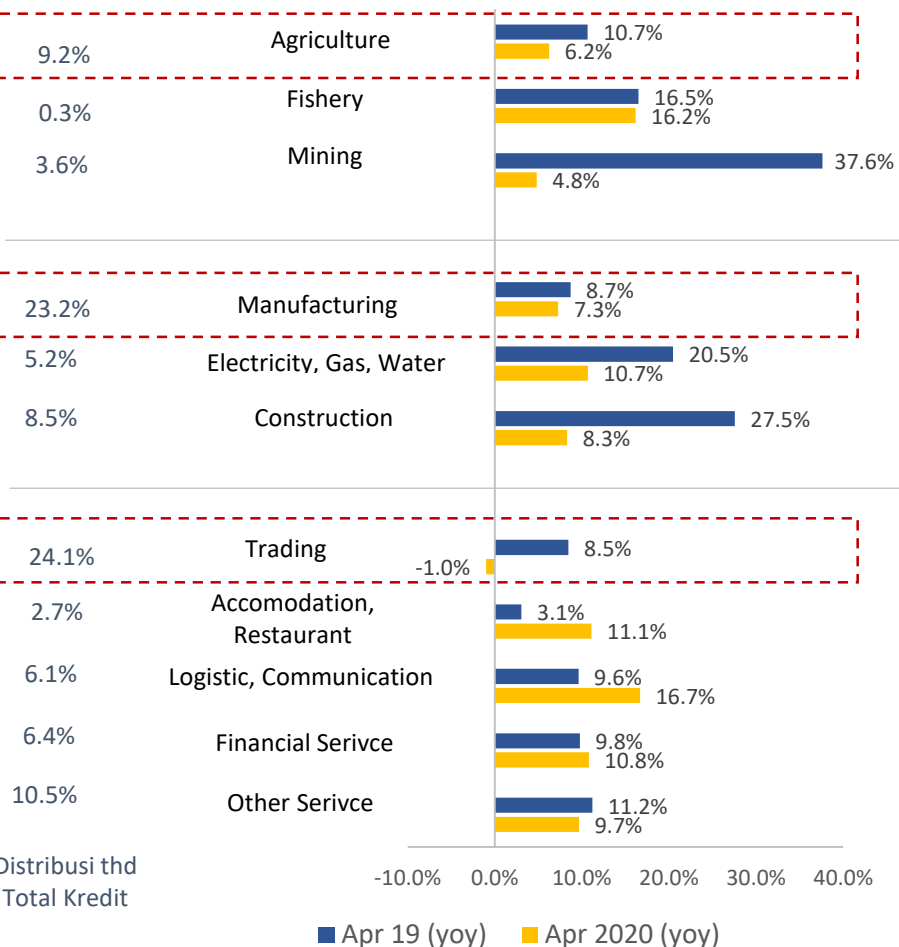


ECONOMIC SLOWDOWN IS EXPECTED TO REACH THE LOWEST POINT IN Q2-2020

The slower credit growth of strategic sectors as well as declining trend of e-transaction

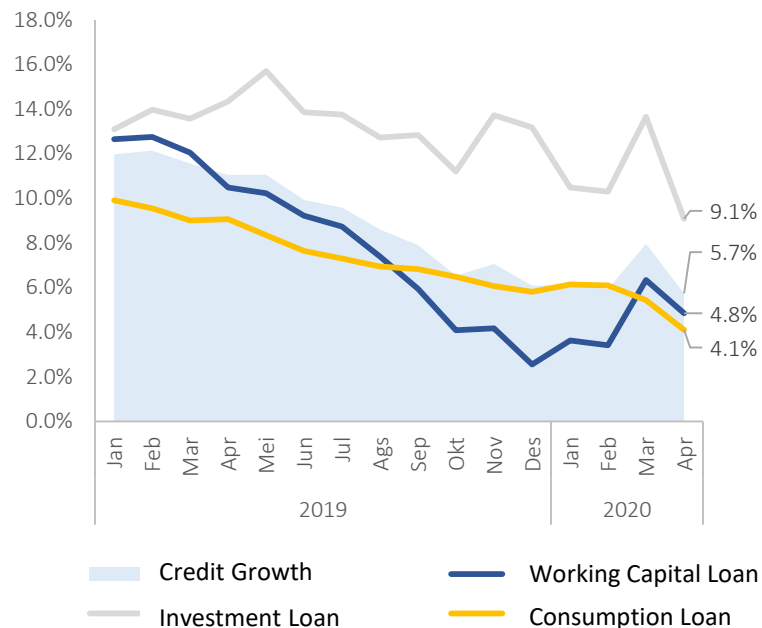
Loan Growth per Sector

Source: OJK



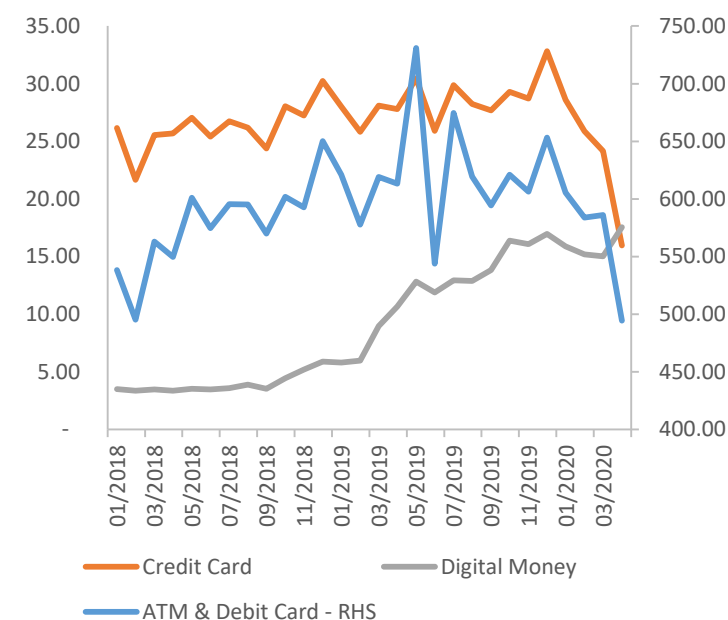
Slowing credit growth (based on loan type)

Source : BI



Declining trend of people transaction

Source : BI



- In April 2020, loan growth of strategic sectors has been lower than April last year (Agriculture, Manufacture, and Trade)
- Negative trend of consumption loan continued, followed by slower working capital loan growth.
- Transaction using debit card/ATM as well as credit card continued to dip
- These indicators show us a tendency of downward trend of consumption in general

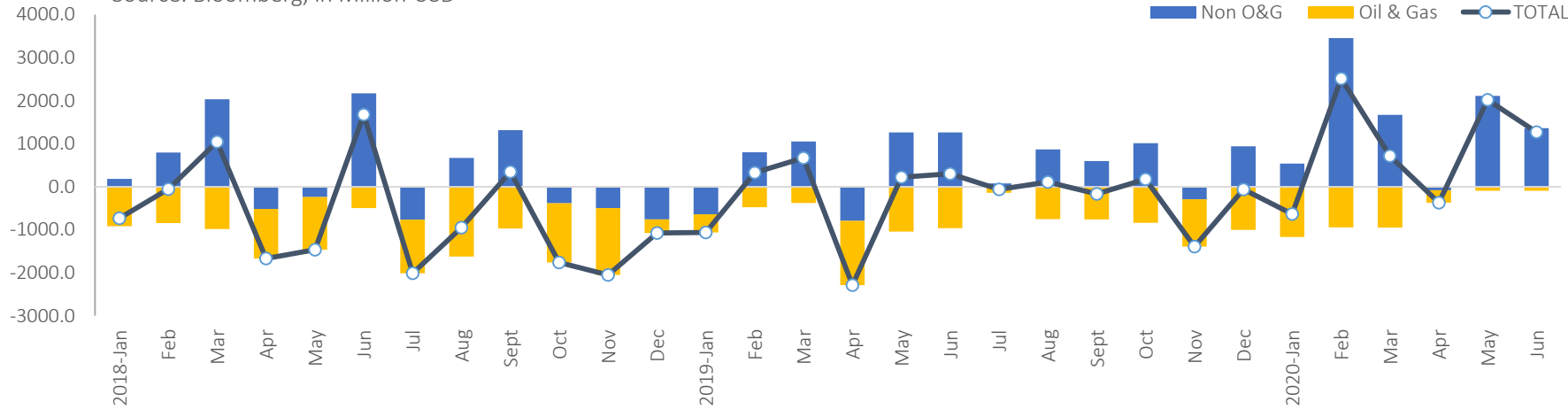


IMPORTS ON PRODUCTIVE GOODS HAS IMPROVED IN JUNE 2020

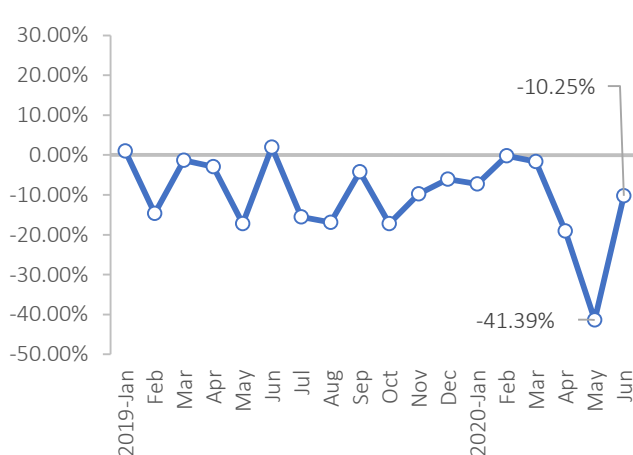
Showing an increasing economic activity in the supply side

Trade Balance

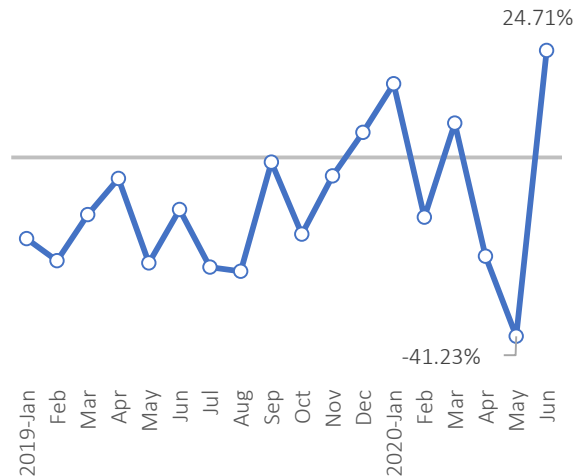
Source: Bloomberg, in Million USD



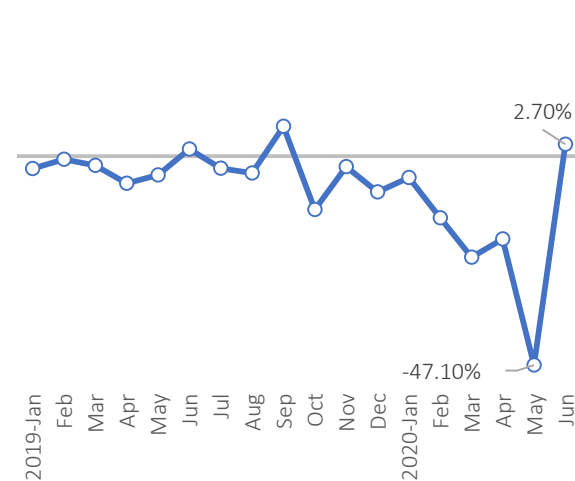
Import growth of raw material and intermediate goods (68,7%)



Import growth of consumption goods (14.9%)



Import growth of capital goods (16.4%)



Source: DG Custom and Excise, year-on-year basis

- In June, trade balance recorded a surplus of USD 1.26 billion, driven by the positive performance of non-oil exports to trading partner countries. The largest exports were directed to China
- June exports grew 15.09% (mtm) or 2.28% (yoy) and imports grew 27.56% (mtm) or -6.36% (yoy).
- Imports in productive goods have begun to grow, indicating an economic activities improvement
- Cumulatively, 1st half trade balance recorded a surplus 5.5 billion USD. Substantially higher than 1st half of 2019 (deficit 1.8 billion USD)
- Leads to major improvement on Current Account Deficit this year

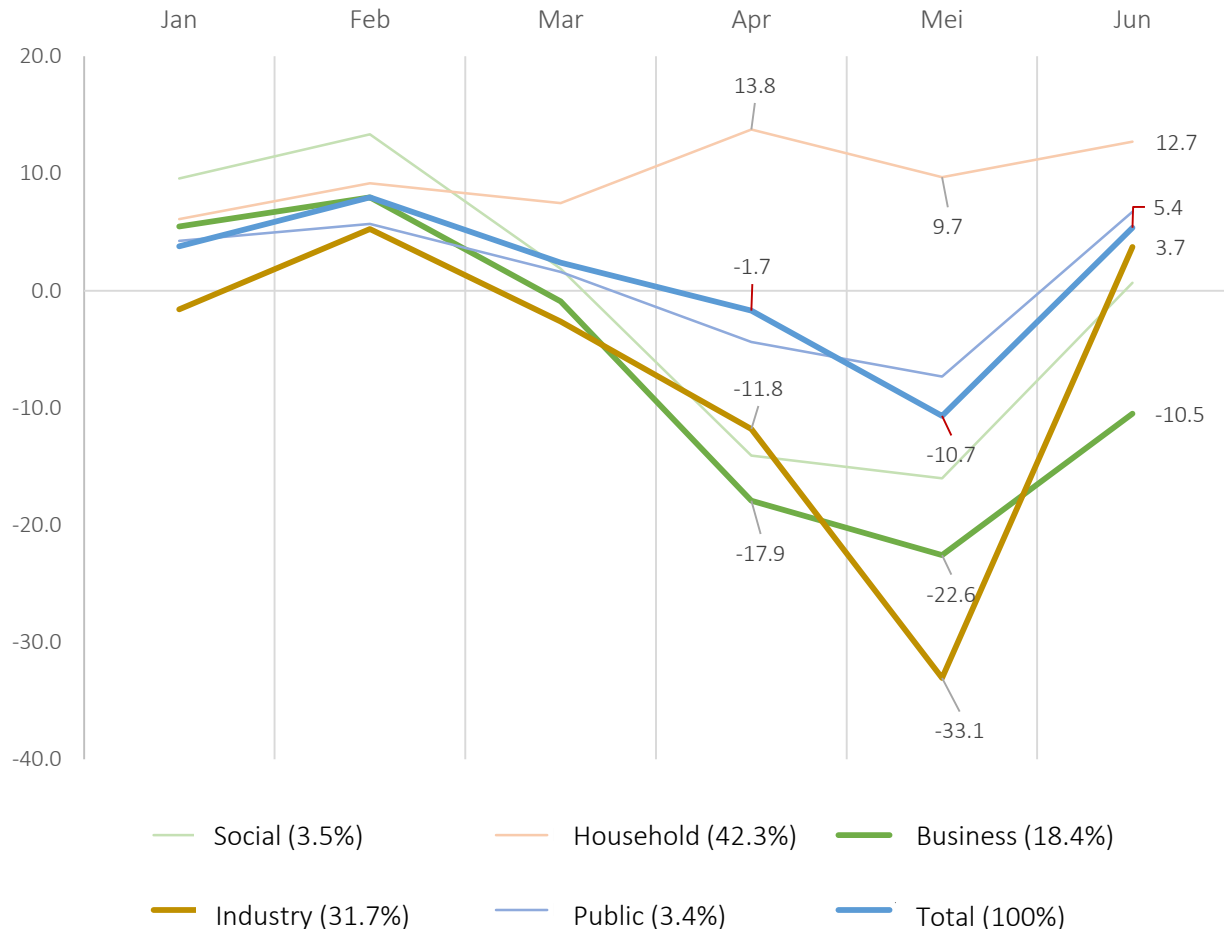


ELECTRICITY CONSUMPTION PROVIDES THE SIGNAL OF ECONOMIC IMPROVEMENT STARTING IN JUNE

Especially businesses and industries consumption

Electricity Consumption Growth

Source: PLN



Electricity consumption and economic activity

- Economic activity is correlated with electricity consumption -- reflecting population growth and production of goods / services
- The demand side (household) grows flatter, while the supply side (business, industry, and public) is more volatile depending on the production of goods / services

Growth in electricity consumption

- Electricity consumption as of June 2020 grew positively across all agents which signal economic recovery
- The Industrial Sector has 31.7% of total electricity consumption - positive growth indicating an increase in goods / service production
- The business sector has also begun to improve, despite growing negatively - indicating a renewed increase in economic activity



Along with the relaxation of social restriction policy in several regions, including Jakarta

(% change to average mobility index between Jan 3 – Feb 6, 2020)



- (% change to average mobility index between Jan 3 – Feb 6, 2020)

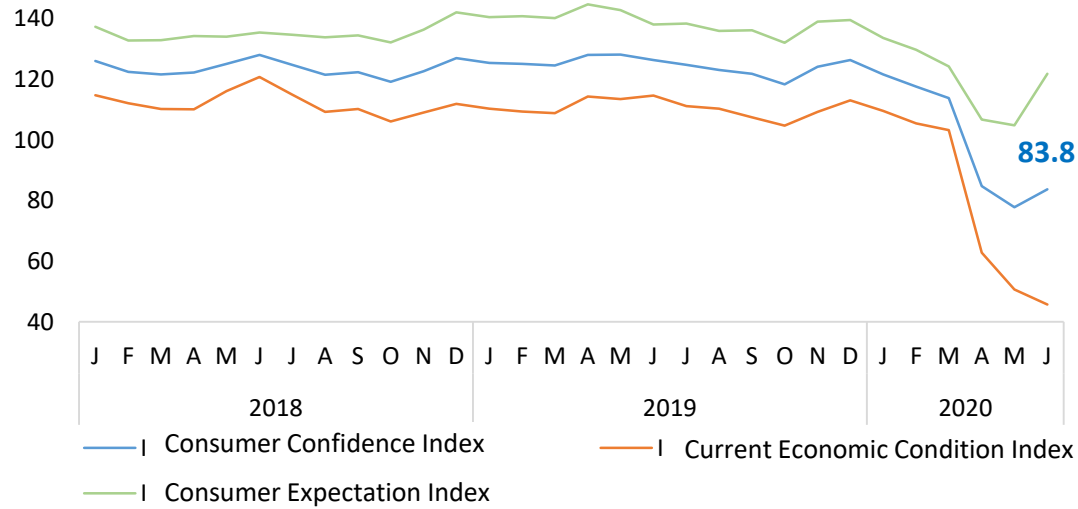
(% month-on-month)

ECONOMIC ACTIVITY STARTS SHOWING AN UPWARD TREND

Both production (supply) and sales (demand) are showing a positive improvement

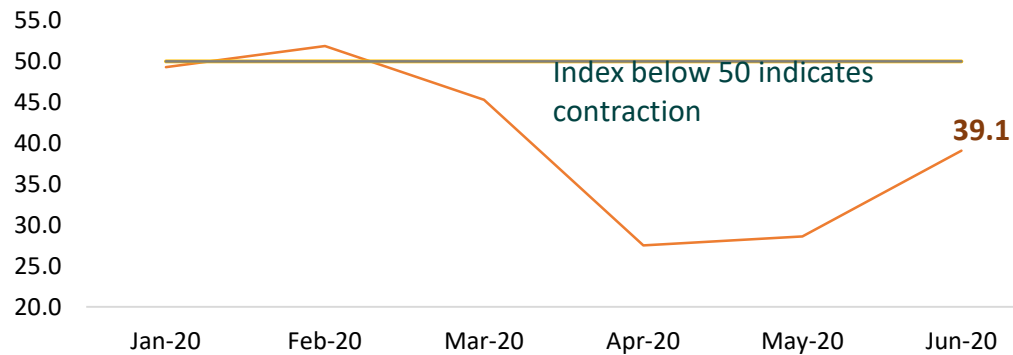
Consumer Confidence Index Survey

Source: Bloomberg



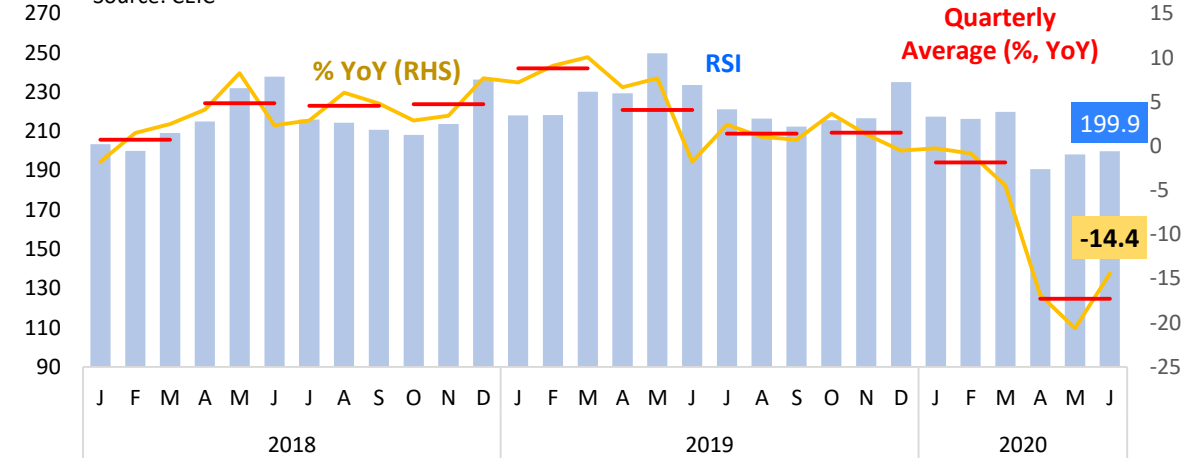
Indonesia's PMI Manufacturing

Source: Bloomberg



Retail Sales Index

Source: CEIC



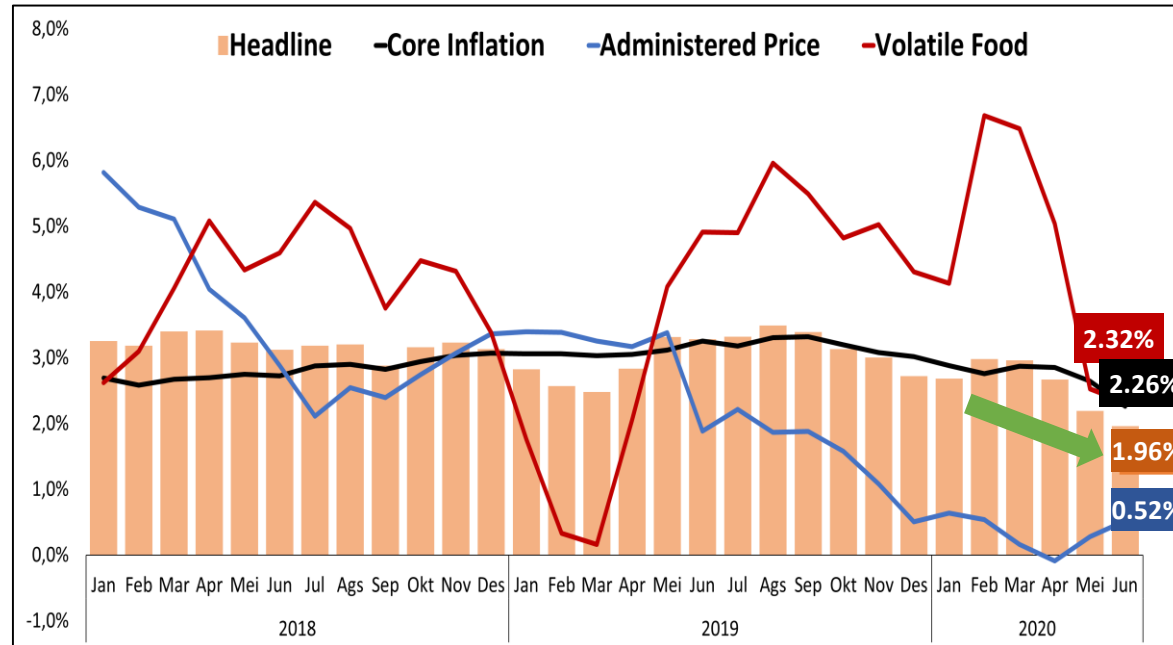
- Consumer Confidence Index (CCI) indicates an optimism, mainly due to the expectations of economic conditions following relaxation of PSBB and expectation of the COVID-19 pandemic handling policy in Indonesia.
- Quarter II 2020 retail sales are predicted a contraction, with an average of -17.3% (yoy), down from quarter I of -1.9% (yoy), which occurred in all groups, especially clothing, But shows an upward in July, due to improving retail sales especially for food, beverage, tobacco, and motor vehicle fuel.
- Manufacturing PMI show a positive growth in June, although still at contraction level (below 50), Indonesia's Manufacturing PMI has left its lowest point.



INFLATION HAS BEEN STABLY LOW AND MANAGEABLE

As of June, inflation was 0.18% (mtm) or 1.96% (yoy), low inflation rate due to the weak demand as the impact of PSBB in several regions

Inflation and Component Development (yoy)



Inflation	Juni - 2020		2019	2018	2020	2019	2018
	ytd (%)	yoy - eop (%)			Sem I (%av-yoy)		
CPI	1.09	1.96	2.72	3.13	2.57	2.88	3.27
Core	0.86	2.26	3.02	3.07	2.71	3.10	2.69
Adm.Price	0.17	0.52	0.51	3.36	0.34	3.08	4.46
Vol. Food	3.01	2.32	4.30	3.39	4.53	2.22	3.96

Source: Statistics Indonesia, calculated

- Stable inflation has been supporting the macroeconomic stability in the midst of COVID-19 pandemic
- This low inflation also due to the weaker demand
- External pressure was limited driven by low global commodity prices and the stable exchange rate of the Rupiah.
- Volatile food inflation was declined since March due to abundant supply amidst low demand.
- Administered price inflation was increased since May influenced by rising transportation tariffs in line with relaxation of PSBB and transportation.

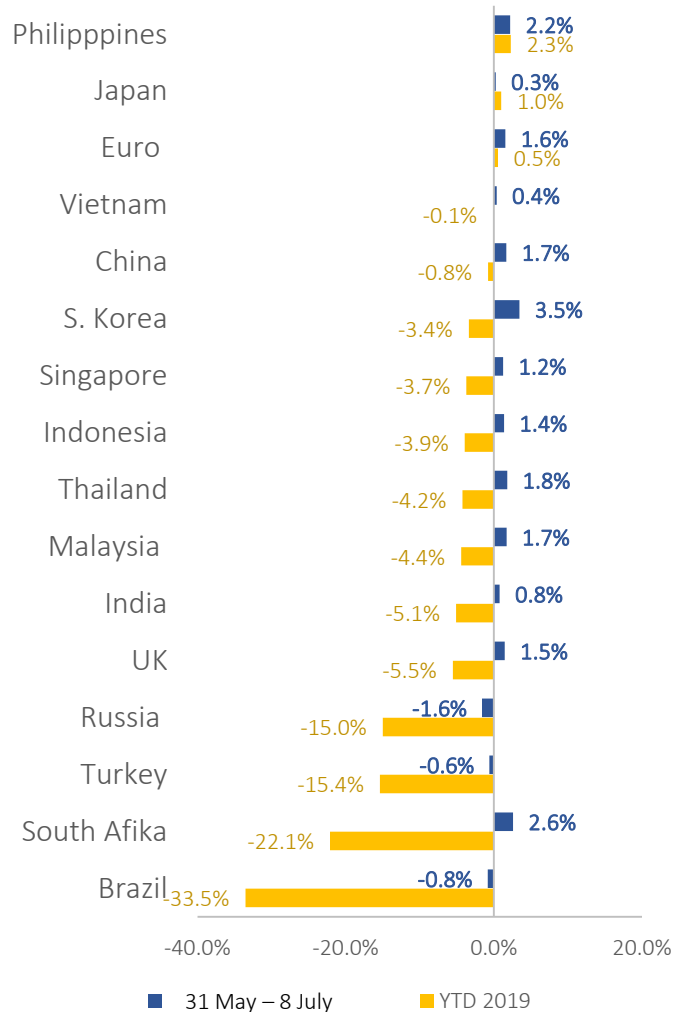


DECLINING IN PRESSURE IN DOMESTIC FINANCIAL MARKETS

Financial sector stability has improved supported by various policies for handling COVID-19

Exchange Rate Movement

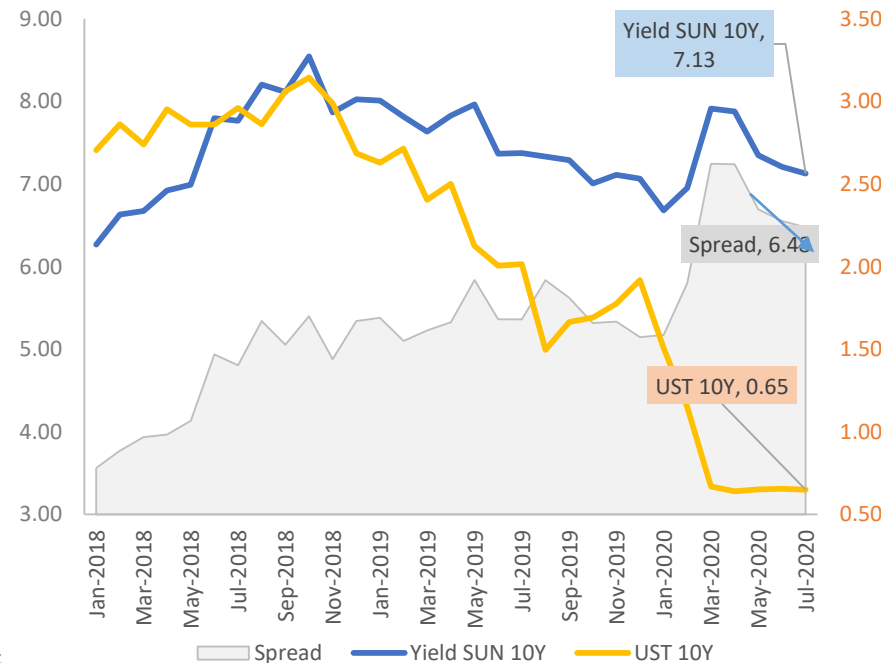
Source: Bloomberg



- The impact of negative financial market sentiment due to the spread of COVID-19 began to subside.
- Exchange rates in a number of countries, especially developing countries, have appreciated again in the last 2 months
- The spread between domestic and US SBN yields began to narrow
- Declining in capital flight pressures

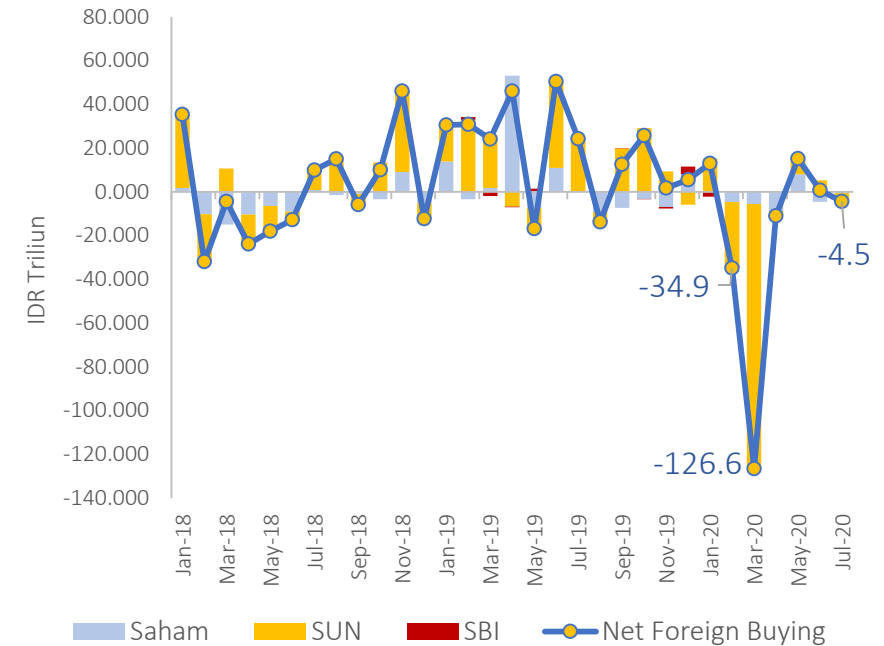
Indonesian and US Government Bond Yield

Source: Bloomberg



Capital Flow to the Indonesian Financial Market

Source: CEIC

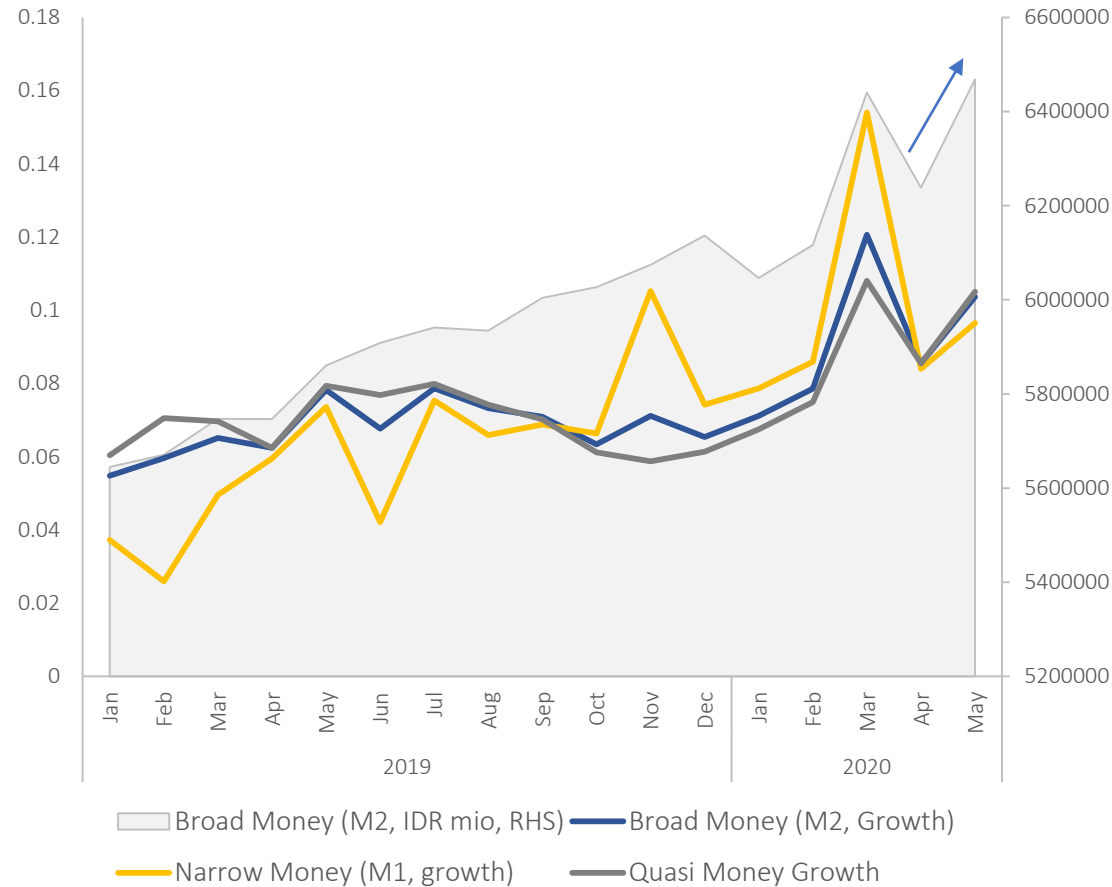


AMPLE LIQUIDITY IN THE ECONOMY AS WELL AS IN BANKING SECTOR

Supported by expansionary monetary policies adopted by Bank Indonesia (BI)

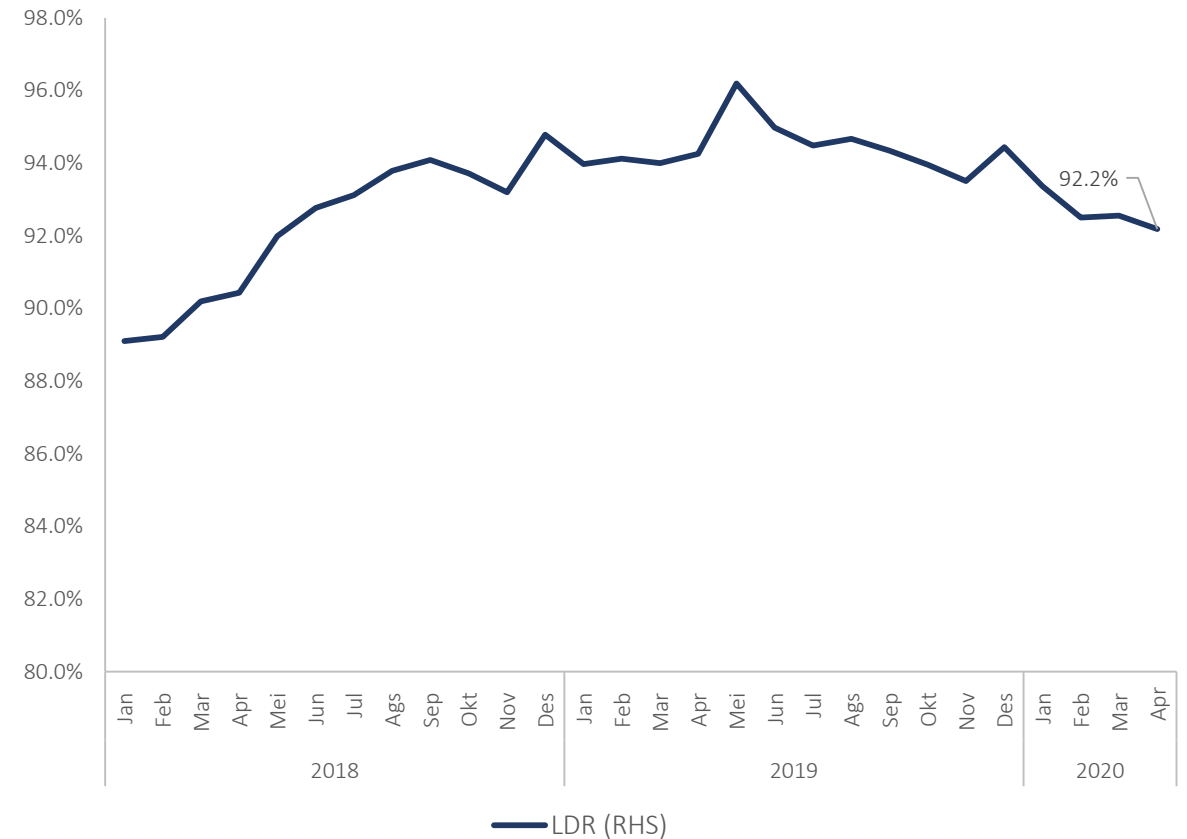
Broad money has increased, indicating an ample liquidity in the economy

Source: SEKI Bank Indonesia



Banking Loan-to-Debt Ratio (LDR) has widened, due to a weak credit growth

Source: SPI Otoritas Jasa Keuangan



BI's foreign reserve up to Jun 2020 accounted USD131,7 billion, higher than the previous month due to the issuance of Global Sharia Government Bond. This reserve is equivalent with 8.1 import and government debt services



2020 INDONESIA'S ECONOMIC GROWTH PROJECTION

The projections are divergent among prominent institutions

Indonesia Economic Growth Projection, June's Update (in %, yoy)

	MoF	IMF	World Bank	OECD	ADB	Bloomberg (Median)
2020	-0.4 – 1.0	-0.3	0.0	-3.9 - -2.8	-1.0	0.5
2021	4.5 – 5.5	6.1	4.8	2.6 - 5.2	5.3	5.5

Source: WB Global Economic Prospect 2020, OECD Economic Outlook 2020, Asian Development Outlook 2020, World Economic Outlook IMF, Bloomberg (processed)





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Fiscal Updates

- Latest 2020 Budget (Presidential Decree 72/2020)

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FOCUS OF COVID-19 HANDLING IN INDONESIA

Pushing the economic stability with Protecting people’s health and saving lives, maintaining purchasing power, and business continuity

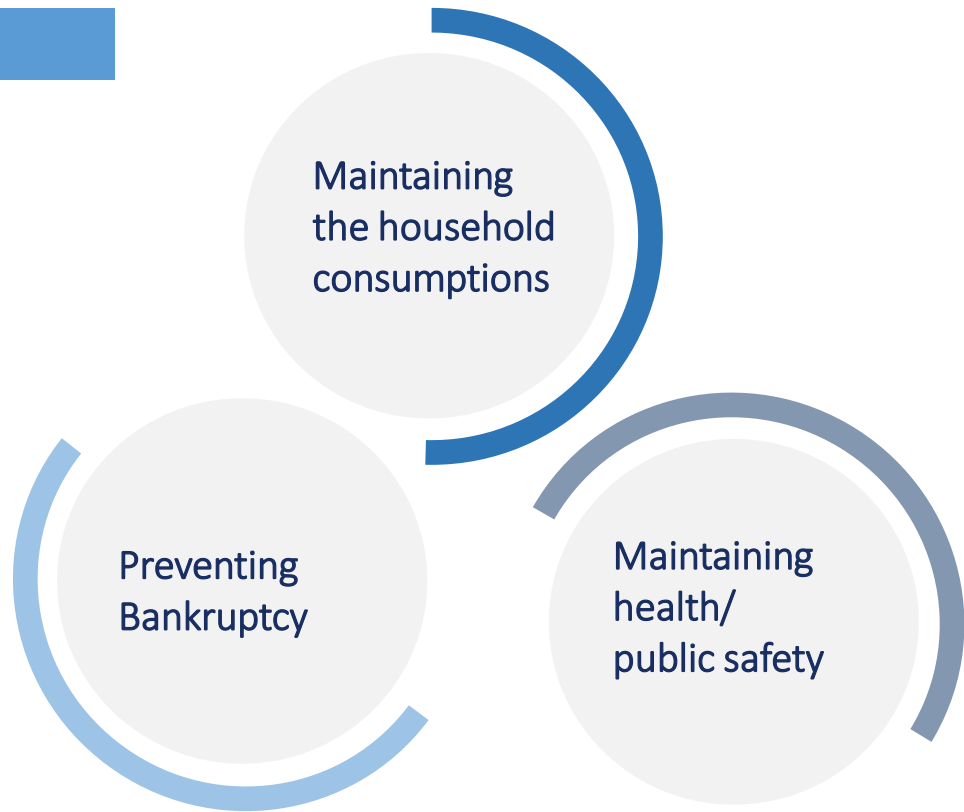
The policy measures for handling and recovering the economy are focused at improving the demand side, and many target vulnerable communities and MSMEs

EXPORT – IMPORT SUPPORTS

- Tax Incentives
- Customs and excise incentives
- Simplification & reduction of ber of import & export restrictions
- Accelerating the export-import process for Reputable Traders
- Improvement & acceleration of export-import services and supervision through the National Logistic Ecosystem (NLE)

MAINTAIN THE PROUDCTIVITY

- Tax Incentives
- Customs and excise incentives
- Providing leniency requirements of credit / financing / funding for MSMEs
- Providing payment relief for MSMEs
- Decreasing in benchmark interest rates
- Decreasing in Reserve Requirement



MAINTAIN THE CONSUMPTIONS

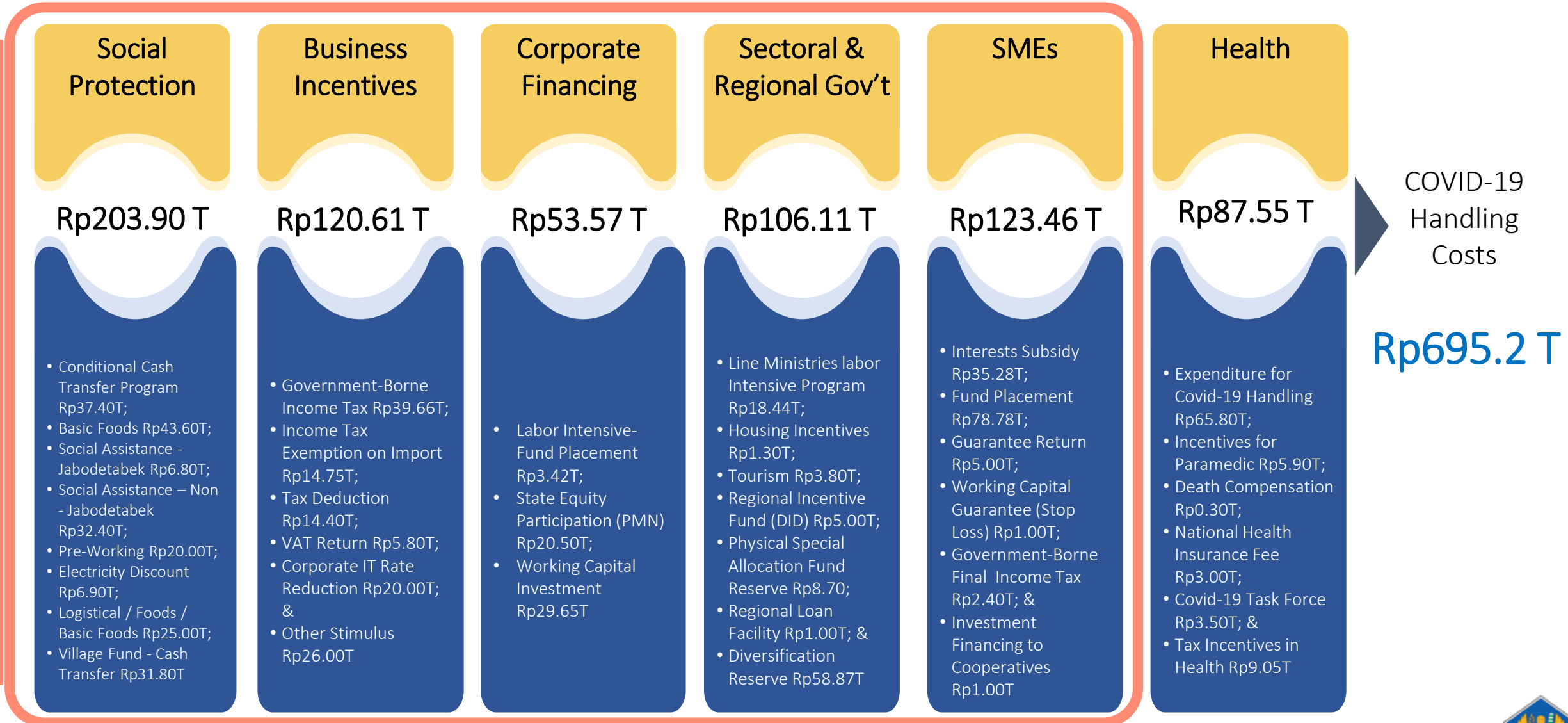
- Additional Groceries (basic food)
- Additional pre-work cards
- Electricity tariffs **exemption**
- Additional Family Hope Program (PKH) beneficiaries



THE GOVERNMENT OF INDONESIA'S RELIEF PROGRAM BUDGET

To deal with health, social protection, and support of MSMEs, the business world, and local governments

NATIONAL ECONOMIC RECOVERY PROGRAMS (PEN)



Source: Ministry of Finance



NATIONAL ECONOMIC RECOVERY PROGRAM (PEMULIHAN EKONOMI NASIONAL/PEN)

Comprehensive coverage to mitigate the impact of COVID-19 on the economy

Demand Side
Rp205.20 T

PEN Funding
607.65 T

Supply Side
Rp402.45 T

Households

Conditional Cash Transfer Program , Basic Foods, Social Assistance - Jabodetabek, Social Assistance Non-Jabodetabek, Pre-Working, Electricity Discount, Logistic/Foods/Basic Foods, Village Fund - Cash Transfer, Housing Incentives - Low Income Households

Rp205.2T

MSMEs

Interest subsidy, Fund Placement for SMEs, Fee for Guarantee Services (IJP) expenditure, Tax incentive, Working Capital Guarantee (Stop Loss), Investment Financing to Cooperatives through Cooperatives and SMEs Revolving Fund **Rp123.46T**

CORPORATION

Fund Placement for labor intensive restructuring, State Equity Participation (PMA) and Debt Securities to State-Owned Asset Management Company, Tax Incentives, Labor Intensive program, Physical-Specific Allocation Fund reserve, Tourism Incentives **Rp169.97T**

SOEs

State Equity Participation (PMA) and Working Capital Investment **Rp12.0T**

Regional Government

Regional Incentive Funds For Economic Recovery, Loan to Regional Government **Rp15.00T**

Diversification Reserve

Rp58.87T

Source: Ministry of Finance



GOVERNMENT AND BANK INDONESIA PARTNERSHIP IN BURDEN SHARING PROGRAM

To promote fiscal sustainability and restore market confidence, yet upfronting prudent and sound measures

	Public Goods	Non-Public Goods	Other Expenditures
Allocations	<p>Social safety net, health expenditure, labor intensive support (Sectoral K / L, Local Government)</p> <p>Funding needs: IDR 397.56 trillion</p>	<p>Incentives for MSMEs and Non MSMEs,</p> <p>Funding needs: IDR 177.03 trillion</p>	<p>Tax incentives, other non-public goods expenditure</p> <p>Funding needs: IDR 328.87 trillion</p>
Instruments	Government bond that will be purchased by BI through private placement	The government issued SBN through market mechanism with Bank Indonesia as standby buyer according to the first decree on April 16, 2020	The government issued SBN through market mechanism with Bank Indonesia as standby buyer according to the first decree on April 16, 2020
Coupon Rate	<ul style="list-style-type: none"> At BI Policy Rate (7-Day Repo Rate) BI will bear 100% of interest expense 	<ul style="list-style-type: none"> BI will bear the interest expense as much as the difference between market coupon rate to 1% below 7DRR Government will bear the interest expense up to 1% below 7DRR 	<ul style="list-style-type: none"> At market coupon rate Government will bear 100% of interest expense
Other Description	<ul style="list-style-type: none"> All government bonds issued for this respect are tradeable Applicable only for 2020 related spending 		



PERPPU 1/2020 (CONVERTED TO LAW 2/2020) HAS BECOME LEGAL BASIS FOR THE GOVERNMENT

in Taking Quick and Extraordinary Steps in Overcoming the Impact of the Covid-19 Pandemic and National Economic Recovery

Extraordinary Government Policy



PERPPU 1/2020
(31st March 2020)



UU 2/2020
(18th May 2020)

State
Budget
2020

Deficit
1.76% PDB



**Perpres
54/2020**



Deficit
5.07% GDP



**Perpres
72/2020**



Deficit
6.34% GDP

The budget has been revised twice to the latest of Presidential Decree 72/2020, which has incorporated the national economic recovery initiation

Legal Basis

Perppu 1/2020 concerning State Financial Policy and Financial System Stability for Handling Covid-19 Pandemic and / or in the framework of Facing Threats that Harm National Economy and or Financial System Stability **stipulated into Law 2/2020**

Undertaking Strategic Policies



Refocusing and reallocation policies by suspending non-priority activities, such as official travel and other activities that cannot be carried out in the Covid-19 period.



Providing stimulus, both in the form of additional spending, tax incentives, and government investment **for handling Covid-19 and the National Economic Recovery**



MACROECONOMIC ASSUMPTIONS OF 2020 BUDGET

Adjusting assumptions to the most recent condition as the base to create a more credible projection

2020

	Budget Initial	Budget Presidential Regulation 54/2020	Budget Presidential Regulation 72/2020	1 st Half Realization
Economic Growth (%, yoy, constant)	5.3	-0.4 – 2.3	-0.4 – 1.0	2.97 ^{a)}
Inflation (%)	3.1	3.6 – 5.1	1.98 – 4.03	1,96 (yoy) 1.09 (ytd)
Exchange Rate (USD/IDR)	14,400	15,800 – 18,500	14,500 – 14,800	14,616 (yoy) ^{c)} 14,535 (ytd) ^{c)}
T-bills 3 months (%)	5.4	4.5 – 5.4	3.0 – 4.0	3.25 ^{b)}
Crude Oil Price (ICP) (USD/barrel, ytd)	63	31 - 40	29.9 – 35.3	39.9 (eop) 40.5 (ytd)
Crude Oil Lifting (thou. barrels/day, ytd)	755	735	705	668.73 (eop) ^{d)} 701.7 (ytd) ^{d)}
Natural Gas Lifting (thou. barrels/day, ytd)	1,191	1,064	992	838.7 (eop) ^{d)} 987.3 (ytd) ^{d)}

a) Q1 2020

b) Last auction: 14 June 2020

c) As of 15 July 2020

d) As of May 2020

- Uncertainty has been arising due to the COVID-19 pandemic, which has a substantial impact on economic growth projection
 - Economic growth in 2020 is projected to be able to grow positively with the support of the national economic recovery program.
 - Social safety net expenditure will bolster the economy through stable consumption growth, while government consumption will be accelerated in 2nd half 2020
- Inflation is predicted to be on a low trend in 2020 and will climb up in 2021 as the economy recovered
- The exchange rate underwent major depreciation pressures during the early COVID-19 pandemic and then appreciated afterwards.
- In 2021, Exchange rate is predicted to be appreciated, considering the stronger fundamental economic and capital inflow into domestic economy



1st HALF 2020 REALIZATION

Spending performance will be accelerated in accordance with the release of new budget revision and the deliver of National Economic Recovery Program

	2019			2020				
(in IDR trillion)	1 st Half Realization	% to budget	% growth	Budget Initial	Budget Presidential Reg. 72/2020	1 st Half Realization	% to budget Presidential Reg. 72/2020	% growth
Government Revenue	899.6	41.5	7.9	2,233.2	1,699.9	811.2	47.7	(9.8)
1. Tax Revenue	689.9	38.6	5.6	1,865.7	1,404.5	624.9	44.5	(9.4)
a. Tax Revenue	604.3	38.3	3.9	1,642.6	1,198.8	531.7	44.4	(12.0)
b. Custom and Excise	85.6	41.0	19.0	223.1	205.7	93.2	45.3	8.8
2. Non Tax Revenue	209.1	55.3	18.3	367.0	294.1	184.5	62.7	(11.8)
a. Natural Resources Revenue	70.7	37.1	(5.8)	160.4	79.1	54.5	68.9	(22.9)
b. Non Natural Resources Revenue	138.4	73.8	36.0	206.6	215.1	130.0	60.5	(6.1)
3. Grant	0.5	120.6	(83.2)	0,5	1.3	1.7	133.8	231.4
Government Expenditure	1,034.7	42.0	9.6	2,540.4	2,739.2	1,068.9	39.0	3.3
1. Central Government	630.8	38.6	13.0	1,683.5	1,975.2	668.5	33.8	6.0
a. Line Ministries Expenditure	342.4	40.0	15.7	909.6	836.4	350.4	41.9	2.4
b. Non Line Ministries Expenditure	288.4	37.0	9.9	773.9	1,138.9	318.1	27.9	10.3
2. Subnational Government Transfer	403.9	48.9	4.8	856.9	763.9	400.4	52.4	(0.9)
Deficit	(135.1)	45.7	22.2	(307.2)	(1,039.2)	(257.8)	24.8	90.7
% Deficit to GDP	(0.85)			(1.76)	(6.34)	(1.57)		
Budget Financing	176.3	59.6	0.1	307.2	1,039.2	416.2	40.0	136.0





KEMENTERIAN KEUANGAN
REPUBLIK INDONESIA

Fiscal Updates

- 1st half budget realization (detail)

Should you have further questions, please do not hesitate to contact us:



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IRU@kemenkeu.go.id



REVENUE REALIZATION

Starting to improve in June

	2019				2020			
(in IDR trillion)	State Budget	1 st Half Realization	% to budget	% growth	Budget Presidential Reg. 72/2020	1 st Half Realization	% to budget Presidential Reg. 72/2020	% growth
Tax Revenue	1,577.6	604.3	38.3	3.9	1,198.8	531.7	44.4	(12.0)
1. Income Tax from Oil & Gas	66.2	30.2	45.6	0.3	31.9	18.1	56.7	(40.1)
2. Income Tax from Non-Oil & Gas	1,511.4	574.1	38.0	4.1	1,167.0	513.7	44.0	(10.5)
a. Income Tax from Non-Oil&Gas	828.3	347.3	41.9	5.4	638.5	312.2	48.9	(10.1)
b. VAT	655.4	212.2	32.4	(2.7)	507.5	189.5	37.3	(10.7)
c. Property Tax	19.1	11.7	61.4	3,914.3	13.4	9.1	67.8	(22.3)
d. Other Taxes	8.6	3.0	34.6	(20.1)	7.5	2.8	37.5	(5.6)
2. Custom & Excise	208.8	85.6	41.0	19.0	205.7	93.2	45.3	8.8
1. Excise	165.5	66.7	40.3	30.9	172.2	75.4	43.8	13.0
2. International Tax	43.3	18.9	43.7	(9.8)	33.5	17.8	53.3	(5.8)
a. Import Duty	38.9	17.3	44.5	(2.3)	31.8	16.5	51.8	(4.6)
b. Export Duty	4.4	1.6	36.9	(50.3)	1.7	1.3	80.7	(18.2)
Total Revenue	1,786.4	689.9	38.6	5.6	1,404.5	624.9	44.5	(9.4)

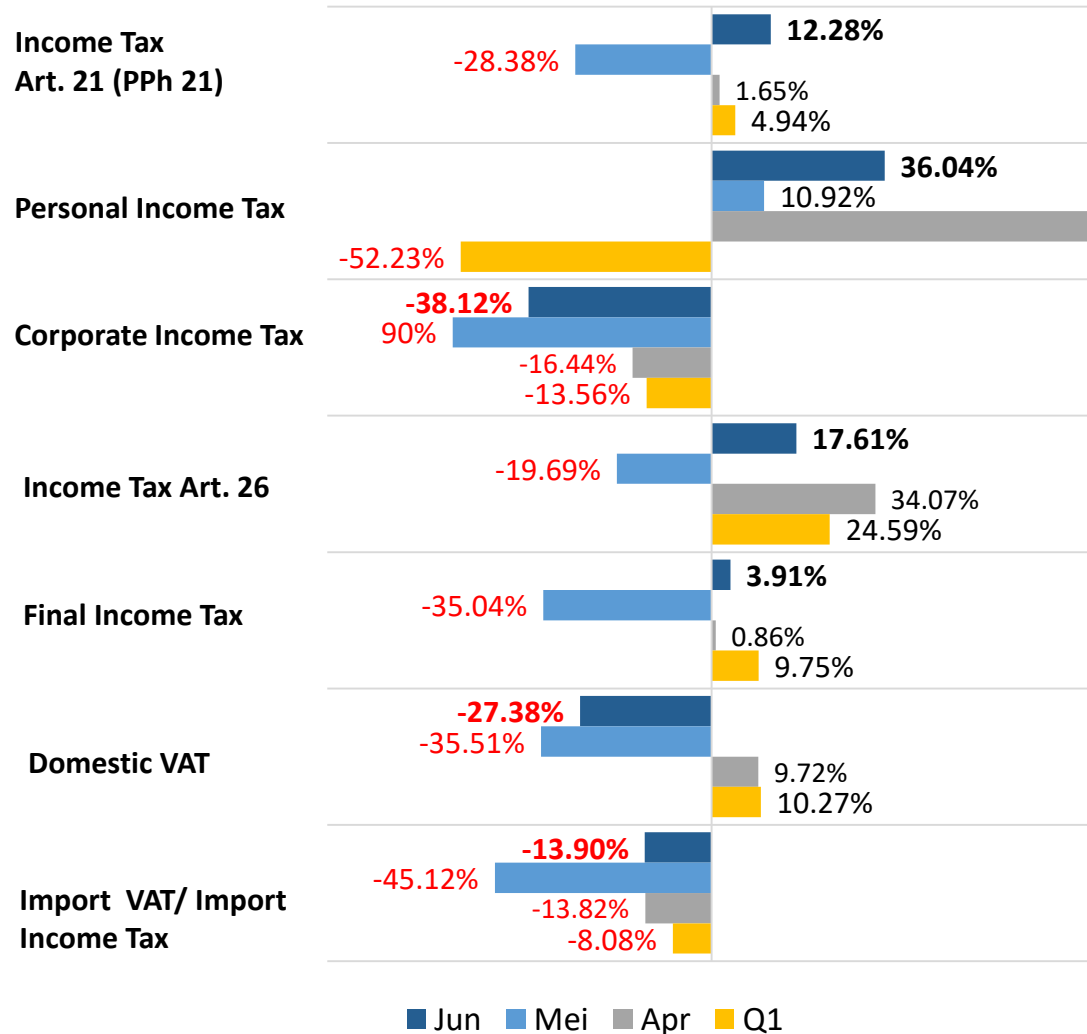
The economic slowdown and tax incentives put pressure on almost all types of tax revenue. The contraction in revenue is also influenced by low commodity prices



REVENUE REALIZATION BY TYPE

Several types of taxes grows positively in June

Tax Revenue Growth by Type (y-o-y) 2020



The downward trend in international trade and economic activity due to the spread of Covid-19 is confirmed in the tax revenue performance which contracted by 2.5 percent (yoy) in the first quarter of 2020 and getting deeper in Semester 1 by 12.01%. However the revenue performance started to improve in June



Furthermore, the expansion of social restrictions and the utilization of fiscal incentives in the framework of national economic recovery contributed to pressure on tax revenues



Income Tax Article 21 grew positively in June, but this was due to a shift in payments in May and June 2019 which were the basis for calculating growth.

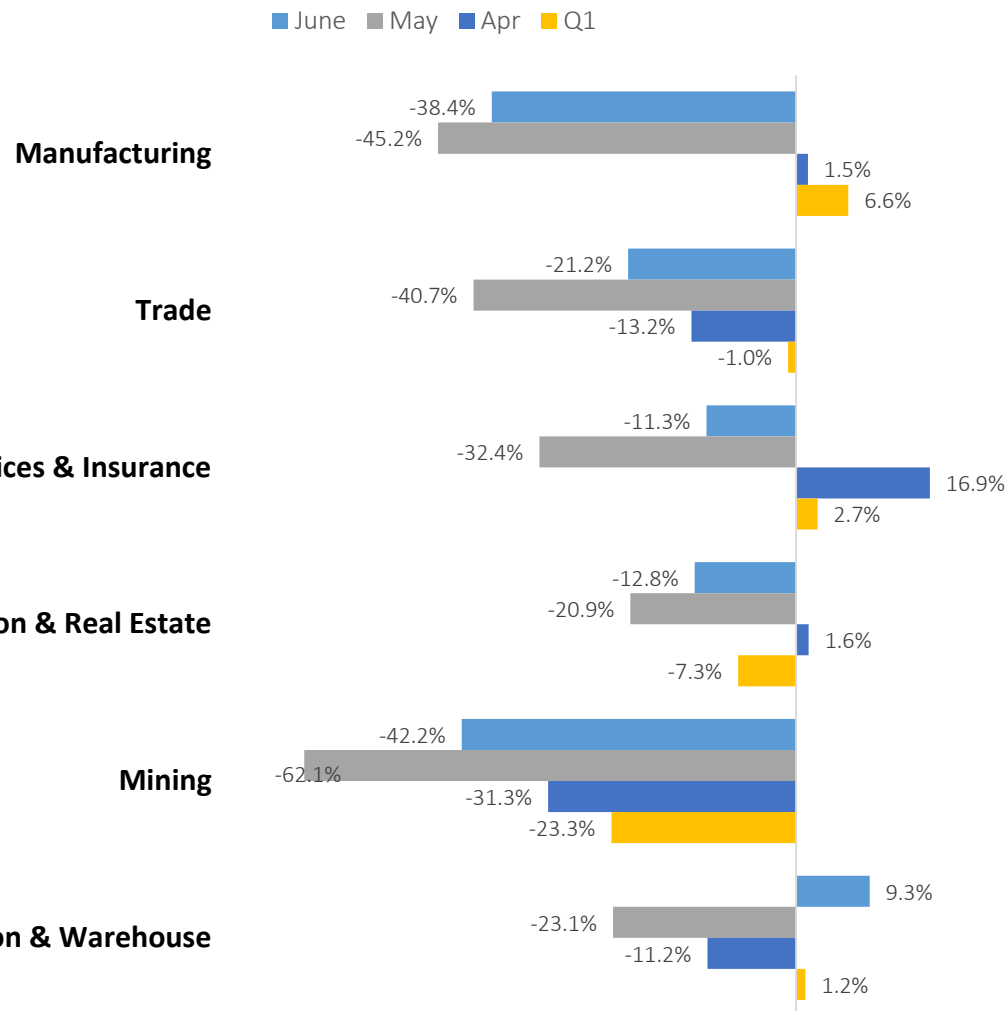


Final Tax income is able to grow positively due to the construction service payments related to the fast train project

REVENUE REALIZATION BY SECTOR

Several sectors were still pressured but improvements showed in June compared to May performance

Tax Revenue Growth by Sector (y-o-y) 2020



Pressures from economic slowdown and impact of COVID-19 pandemic in Q1 2020 mainly affected the collection of tax revenue from export-import-related sectors such as Manufacturing, Trade, and Mining sectors.



The extension of social restriction in April-May 2020 prolonged the pressure in Transportation sector amid limited number of travel and Trade sector amid declining activities in domestic goods and services delivery. Furthermore, the slowdown in consumption also prolonged pressure to Manufacturing sector.



Although still contracted, main economic sectors showed improvement in June's sectoral performance.



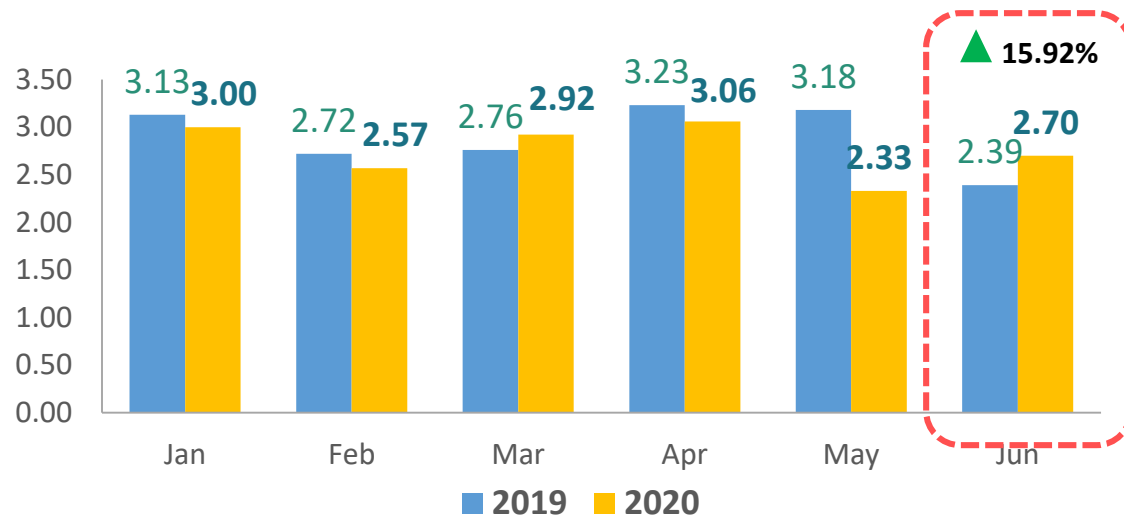
Transportation & Warehouse sector even recorded a positive growth in June amid the changes in people's consumption pattern.



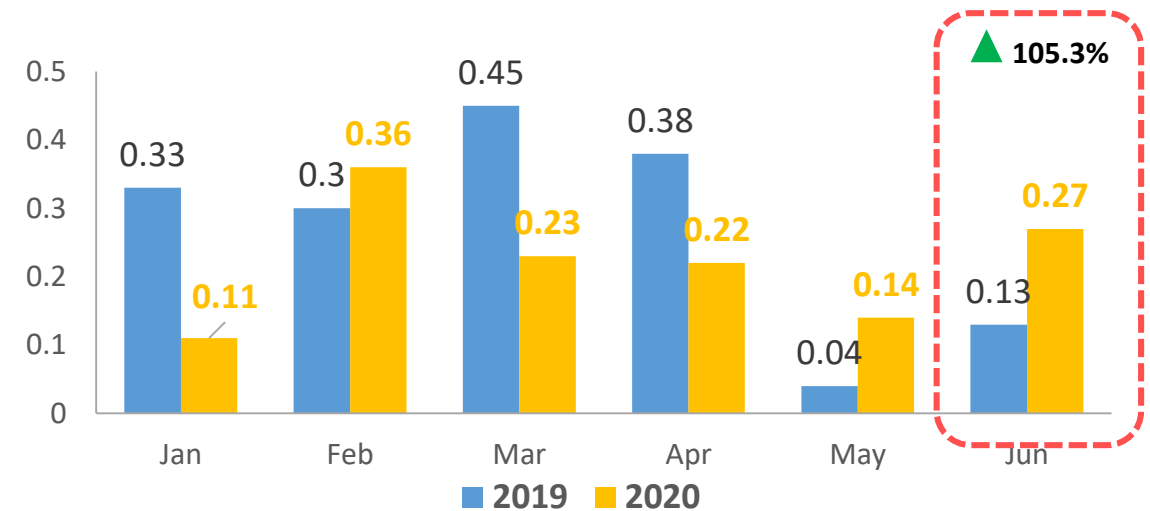
REVENUE FROM IMPORT AND EXPORT DUTY

Realization of revenue from customs & excise was growing in June 2020 driven by increasing economic activities & a shift in led holiday period

Realization of Import Duty (Monthly, IDR trillion)



Realization of Export Duty (Monthly, IDR trillion)

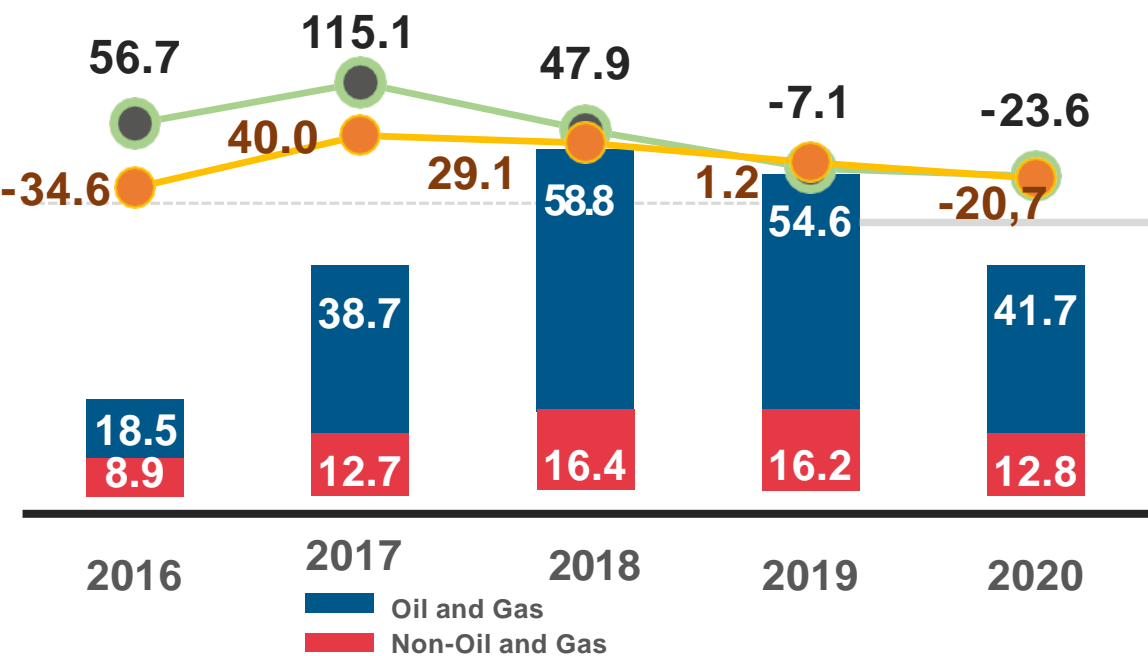


- Revenue from Import Duty in 1H2020 reached Rp16.50 trillion or fell by -4.62% (yoy), due to the declining national import performance
 - Revenue from Export Duty in 1H2020 was recorded at Rp1.33 trillion or declined by -8.19% (yoy) as global demand was slowing and commodity prices were lower.
- Amid increasing economic activities, revenue from import and export duty shows improvement in June compared to those in May 2020.
- Compared to 2019, import and export duty in June 2020 were higher driven by changes in holiday period.
- Revenue from Export Duty in June was supported by mineral commodity (copper), which recorded an increase even though still lower than mineral commodity in 2019.



NON TAX REVENUE REALIZATION FROM NATURAL RESOURCES

Realization of Natural Resources Non-Tax Revenue: the decline in prices and lifting of oil and gas and the volume price of mining, especially coal, put pressure on the natural resource Non-Tax Revenue



Realization of Non-Tax Revenue of Oil and Gas natural resources Semester I in 2020 amounting to Rp 41.7 trillion (down 23.6 percent) mainly due to a decrease in the average ICP and oil and gas lifting for the period January-June 2020, as follows:

1. ICP January-June 2020 of US \$ 39.8 per barrel (2019: US \$ 63.1 per barrel);
2. Lifting petroleum from January to May 2020 amounted to 702 MBOPD (2019: 745.4 MBOPD).
3. Lifting natural gas from January to May 2020 is 987 MBOEPD (2019: 1036.9 MBOEPD).

Comparison of Natural Resources Non-Tax Revenue, 2019-2020

Indicator (Jan-June)	2019	2020
ICP (US\$/barel)	63.1	39.8
Coal Price Reference (US\$/ton)	87.8	63.3
Coal Volume (million tons)	296.0	268.2
Exchange Rate (Rp/US\$)	14,197	14,600

Realization of Non-Tax Revenue of non-Oil and Gas natural resources Semester I in 2020 amounted to Rp12.8 trillion (down 20.7 percent), due to a decrease in average Reference Coal Price (HBA) and a decrease in the volume of coal production, and a decrease in the volume of wood production, as follows:

1. January-June 2020 Coal Price Reference of US \$ 63.3 per barrel (2019: US \$ 87.8 per barrel);
2. January-June 2020 Coal Production Volume of 268.2 million tons (2019: 296.0 million tons).
3. January-June 2020 Timber Production Volume of 1,880,752 m3 (2019: 2,434,221 m3).



REVENUE REALIZATION FROM NON-NATURAL RESOURCES

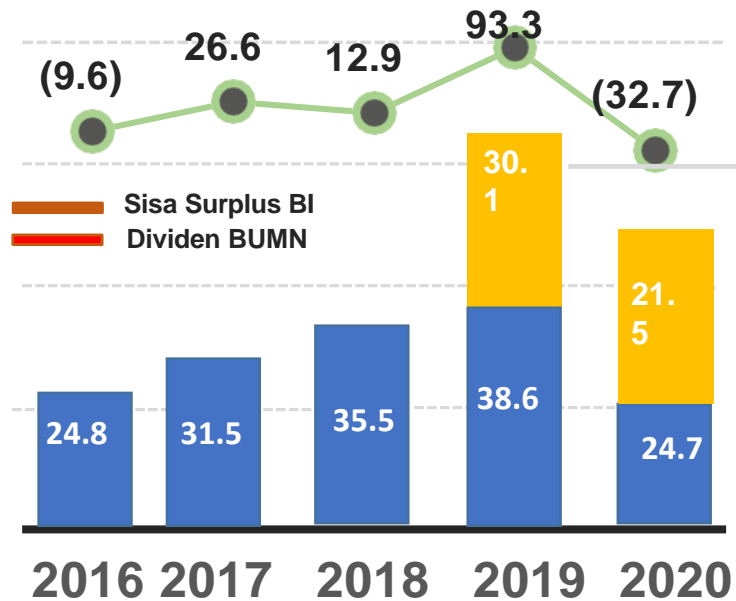
Non-Natural Resources Non-Tax Revenue Improved, supported by other Non-Tax Revenue and public service agency revenue, while revenue of Separated State Assets (KND) declined



Separated State Assets Revenue

Declined 32.7% in 1H2020

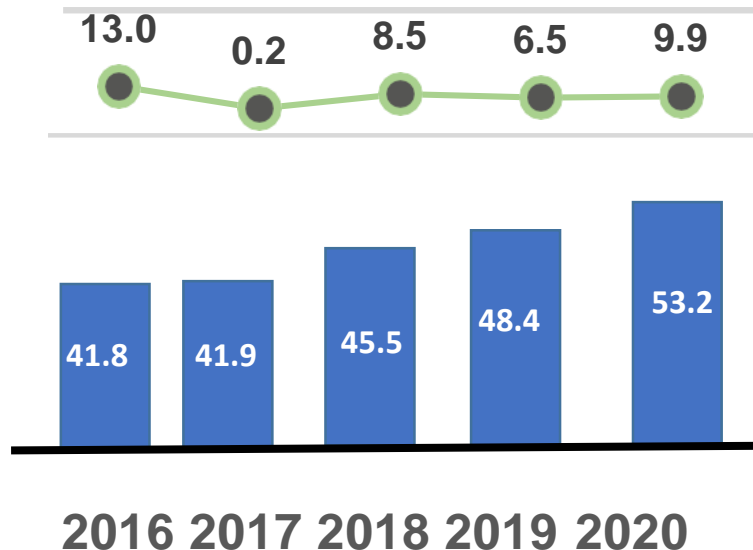
- SOE dividend revenue performance is lower due to delay of the General Meeting of Shareholders of Non Himbara schedule.
- Realization of revenue from the remaining surplus of BI in Semester I 2020 Rp21.5 trillion (lower than 2019 in Rp30.1 T).



Other Non-Tax Revenue

Grew 9.9% in 1H2020

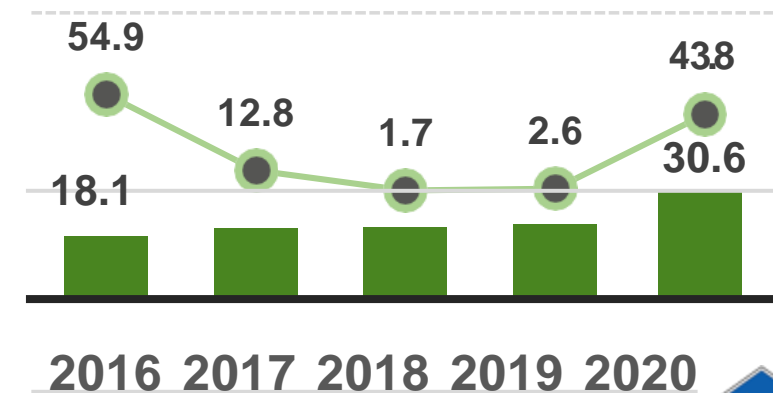
- Revenue of large Line Ministries (Police, Ministry of Transportation and The Ministry of Law and Human Rights) decreased.
- Revenue from the DMO and Mining Results fell in line with falling commodity prices.
- Positive growth due to the revenue of accumulated pension contributions (AIP) of Rp.7, 95 T in May.



Public Service Agency Revenue

Grew 43.8% in 1H2020

- The performance of Palm Oil Public Service Agency (PSA) increased due to the re-enactment of the palm export levy in 2020 (in 2019 the relaxation was Rp0 levy).
- The positive performance of PSA at the Ministry of Communication and Information is in line with the improvement of communication services.
- Education service PSA declined because some education and training programs did not work because of the PSBB



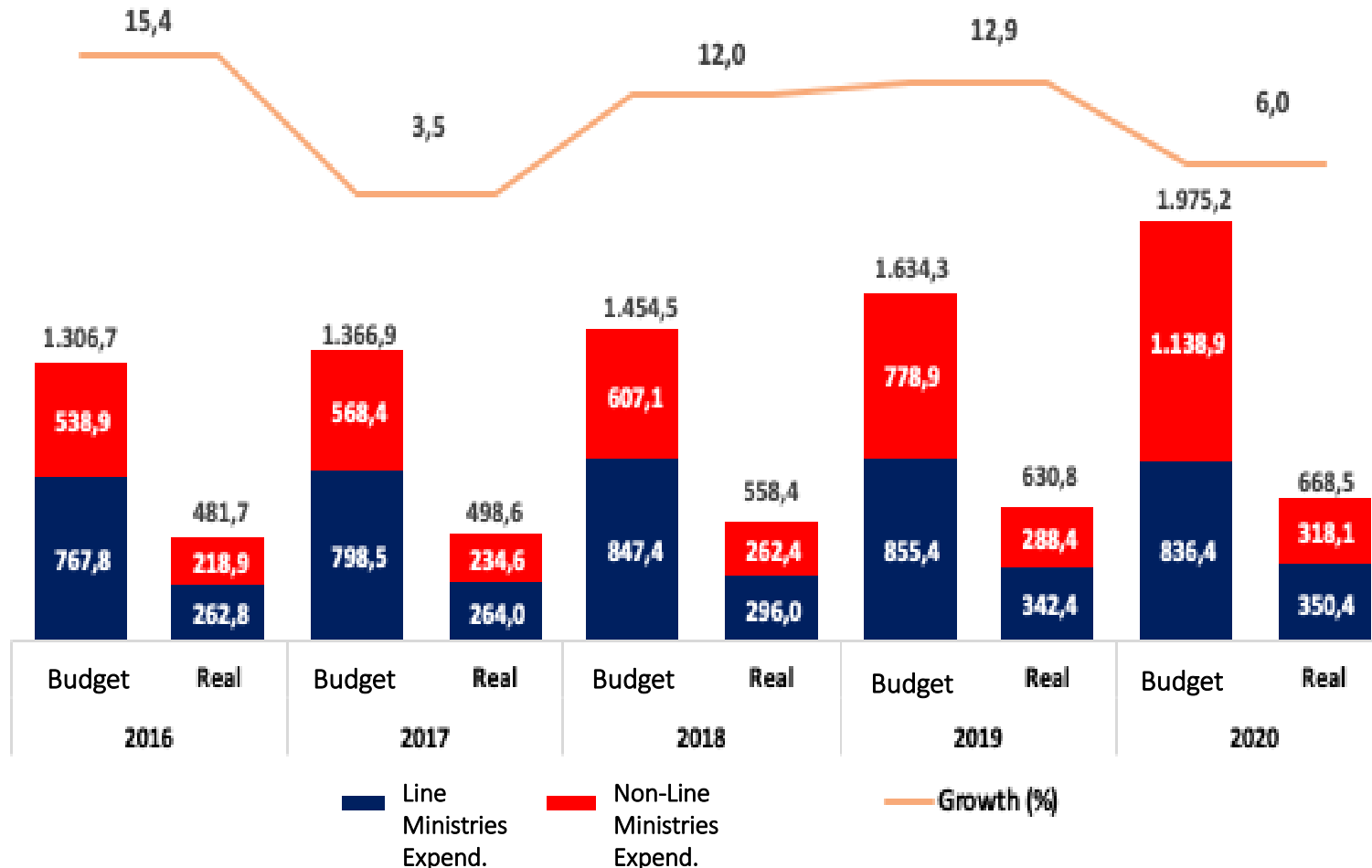
SPENDING REALIZATION (1)

Central government expenditure realization was slightly increased by 6% (yoy) mainly caused by increased expenditure in dealing with COVID-19 pandemic impact



Central Government Expenditure

Semester I Realization



Determining Factors:

Line Ministries Expenditures has been impacted by Covid-19, where during the first half of 2020 they were refocusing and reallocating the budget and preparing several programs to deal with Covid-19, and in doing so the budget realization is expected to be accelerated in the second semester of 2020.

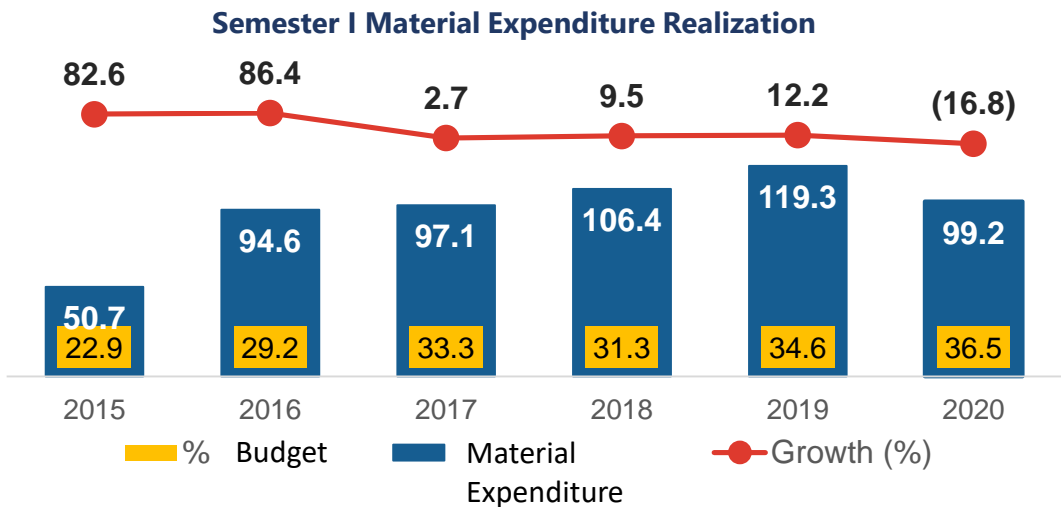
The Non-Line Ministries budget realization was increased in nominal, mainly caused by:

- Increase in debt interest payment along with the increase in principal debt.
- Increase in social contribution realization for National Health Insurance (BPJS) insurance for government officials (the amount in accordance with government's duty as employer)



SPENDING REALIZATION (2)

Line ministries material expenditure realization growth was decreased 16.8% caused by budget refocusing and reallocation policy to support covid-19 handling activities



Line Ministries Material Expenditure (Rp Trillion)	2019		2020	
	Sem I Realization	% of Budget	Sem I Realization	% of Budget
Ministry of Defence	11.3	32.6	12.5	40.9
Indonesian National Police	10.9	43	10.8	40.1
Ministry of Health	7.8	33.3	6.9	31.2
Ministry of Public Works and Public Housing	7.5	23.2	8.3	29.1
Ministry of Religious Affairs	7.7	40.1	7.1	39.9
others	74.1	21.5	53.6	19.7
Total	119.3	34.6	99.2	36.5

Material expenditures component that were decreased significantly, e.g.:

	2019	2020	
Travel Expenditures	17.4	6.8	↓ -61.1%
Material expenditure to be transferred to local govt/public	8.5	6.6	↓ -21.4%
Operational & non-Operational Material Expenditure	58.4	43.2	↓ -26.0%



Material Expenditure Realization was heavily affected by social distancing and WFH policy, which has caused the decrease in operational and travel expenditure realization.



Material expenditure realization of Defence Ministry, National Police and Ministry of Religious Affair was fairly large that is used for special material tools maintenance, education operational assistance/assistance for Raudhatul Athfal (religious preschool).



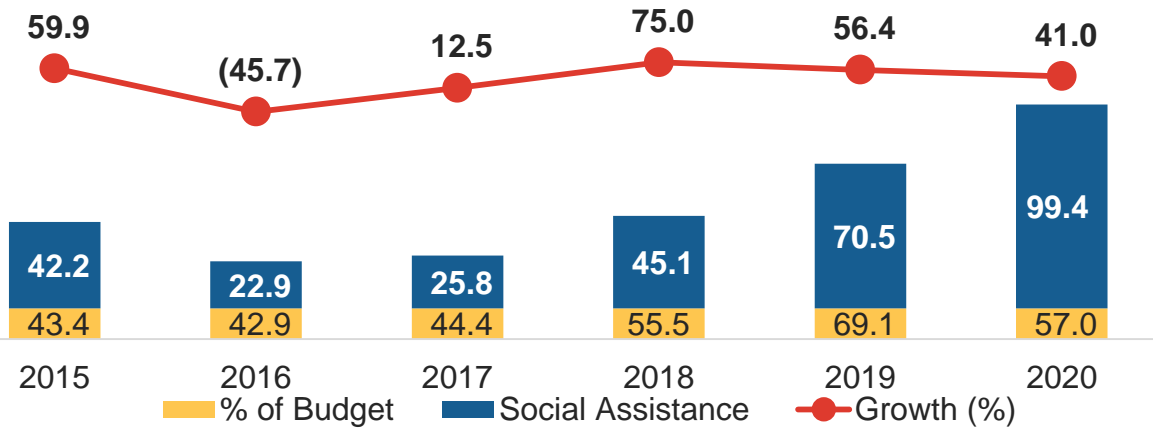
Moreover, the incentive and compensation payment for medical personnel has ben rolled out, and also the procurement of medical tools and facilities to deal with COVID-19 has been delivered.



SPENDING REALIZATION (3)

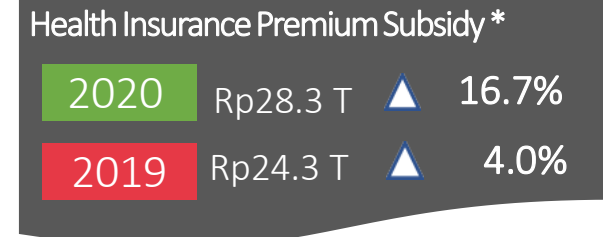
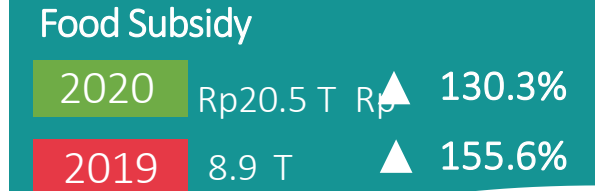
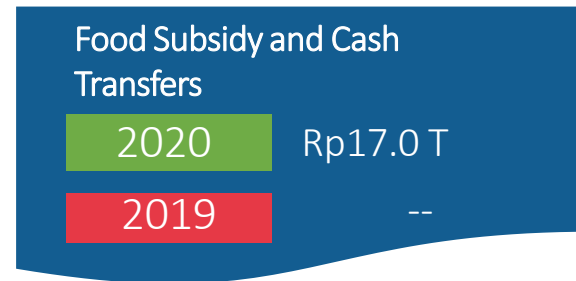
Social Assistance Realization grow 41.0% to support the Social Safety Net Policy to Handling COVID-19 Pandemic

Semester I Realization of Social Assistance



Social Assistance Expenditure (trillion rupiah)	2019		2020	
	Realization as of Semester I	% Budget	Realization as of Semester I	% Budget
Ministry of Education and Culture	6.1	63.4	8.6	53.4
Ministry of Health	24.3	90.9	28.3	58.1
Ministry of Religious Affairs	0.6	29.6	0.8	38.2
Ministry of Social Affairs	35.9	66.0	61.6	61.5
Ministry of Research and Technology	2.0	45.5	-	-
National Board for Disaster Management	1.6	1000.0	0.0	0.7
Total	70.5	72.6	99.4	58.3

Increased Realization of Social Assistance is influenced by:



* 2019 has paid 11 months and 2020 has paid 7 months

Increased Realization of Social Assistance is one of the factors in increasing the realization of Line Ministries expenditure

Ministry of Social Affairs

1. Advancement of Food Subsidy
Increased benefits (2019: Rp110,000 - 2020: Rp200,000) and Expanded coverage (2019: 15.6 million hhs - 2020: 20 million hhs)
2. Implementation of Temporary Assistance
Food subsidy has began to be distributed in May 2020 for Covid-19 Social Safety Net for severely impacted people

Ministry of Health

1. Premium subsidy for health insurance
2. Increasing BPJS Health liquidity by accelerating the payment of health facility claims

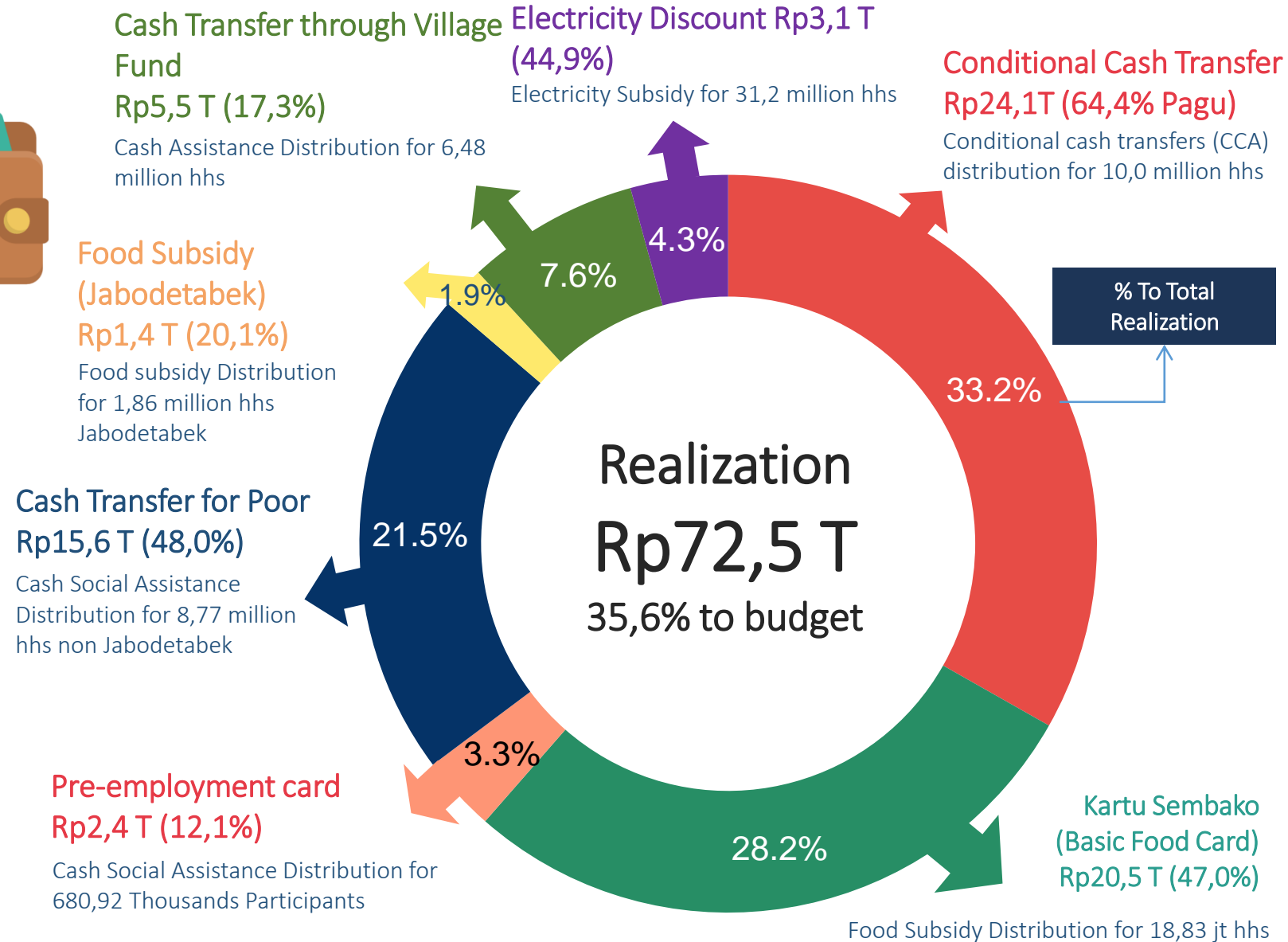


SPENDING REALIZATION (4)

Progress of Social Protection program

Social Protection : Rp203,9T

1. Layoff Rp37,4 T
2. Kartu sembako (Basic Food Card) Rp43,6 T
3. CSA Jabodetabek Rp6,80 T
4. CSA Non-Jabdetabek Rp32,40 T
5. Kartu Pra Kerja (Pre-work Card) Rp20,00 T
6. Electricity Rates Discount Rp6,90 T
7. Logistics/Food/Basic Food Rp25,00 T
8. DCA Village Fund Rp31,80 T

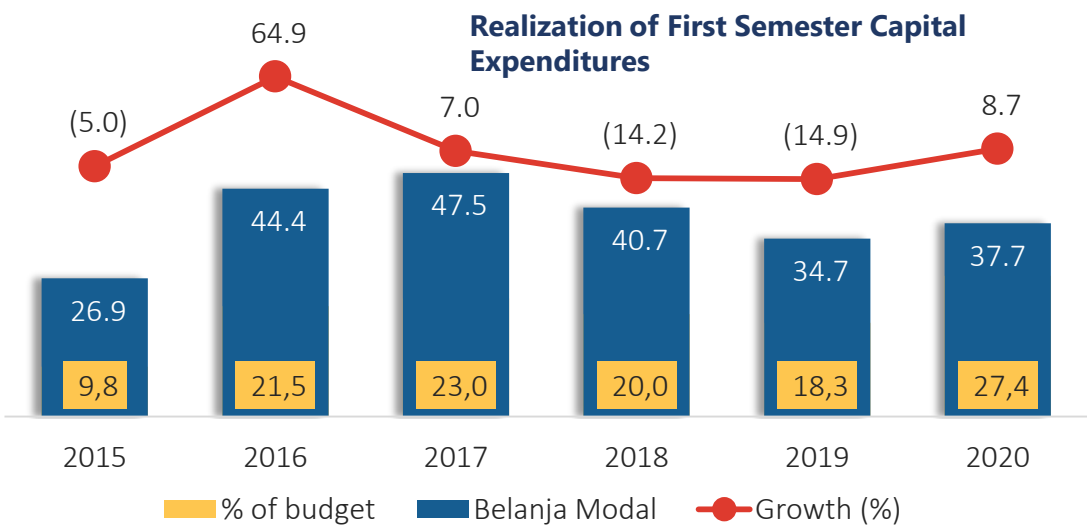


*) pre-work card is carried out up to batch 3. Implementation of batch 4 and later is still awaiting the results of reviews from the KPK, BPK, Prosecutors and Police



SPENDING REALIZATION (5)

Realization of Capital Expenditures Grows 8.7% Supported by the Acceleration of Activity Implementation at the Beginning of the Year



Capital SpendingK/L (Rp Trillion)	2019		2020	
	Real s.d. Sem I	% of Budget	Real s.d. Sem I	% of Budget
Ministry of Public works &housing	17,7	23,4	17,0	38,5
Ministry of Defense	3,7	11,4	6,2	18,1
Indonesia National Police	4,0	22,6	5,7	45,1
Ministry of Transportation	3,5	14,5	3,3	20,8
Ministry of Religion	0,8	16	1,3	38,1
Other Ministries/Lines	5,1	14,1	4,2	15,5
Total	34,7	18,3	37,7	27,4

Realization of Capital Expenditures per account (Rp Trillion)	2019		2020	
	Real s.d. Sem I	Growth (%)	Real s.d. Sem I	Growth (%)
Land Capital	0,6	(3,2)	0.8	33,3
Equipment & Machinery	8,1	(33,2)	12,6	55,6
Buildings	4,7	22,9	4,9	4,3
Roads, Irrigation & Networks	19,4	(15,9)	17,5	(9,8)
Other Capitals	1,3	118,1	1,5	15,4
BLU	0,6	15,0	0,4	(33,3)
Total	34,7	(14,9)	37,7	8,7

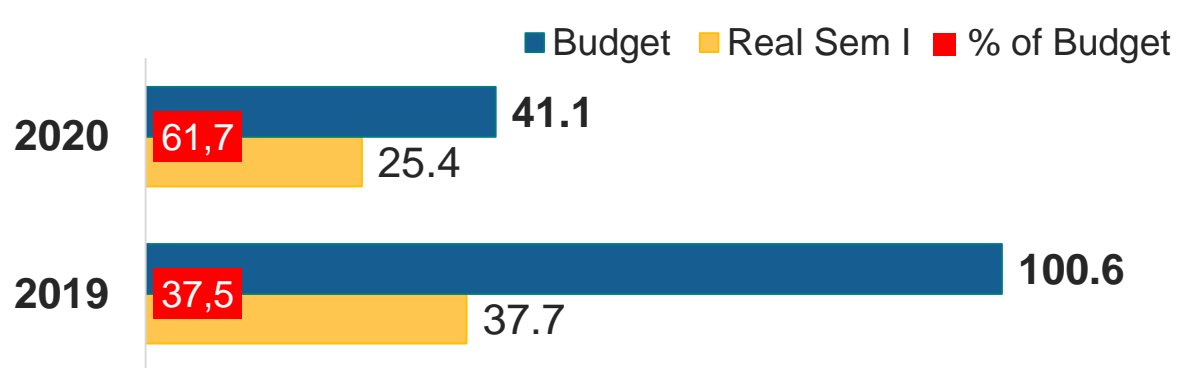
- Capital expenditure grew positively, supported by accelerated implementation of activities at the beginning of the year.
- Equipment and machinery expenditure grew positively mainly for procurement of almatus/defense equipment (Alutista), also to support the handling of Covid-19, while Road, Irrigation and Network Expenditures was influenced by social restriction policies and refocusing/reallocation/postponement of activities.
- To support the national economic recovery program, labor-intensive programs have been implemented in several M/I.






SPENDING REALIZATION (6)

Energy subsidy realization is nominally lower compared 2019, due to the change in policy of fixed diesel subsidies and consumption volume

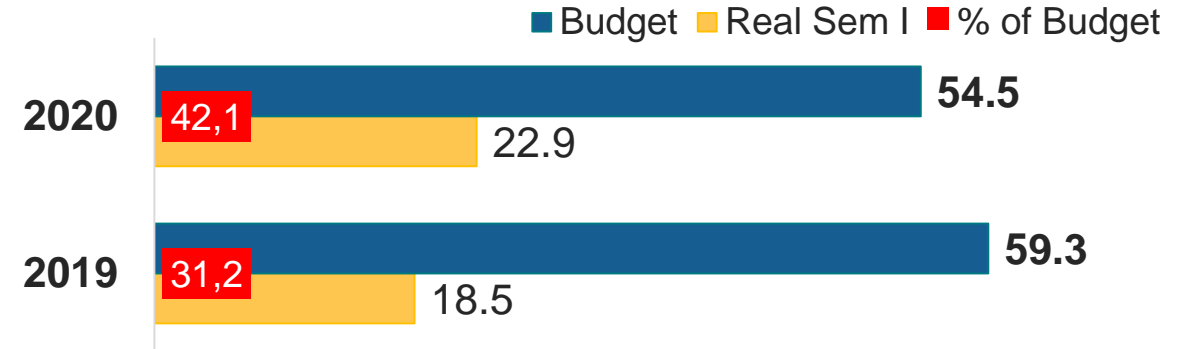
Fuel and LPG subsidies (trillion rupiah)






The realization of the fuel and LPG subsidy budget was lower due to the number of fixed diesel/solar subsidies going down (Rp2.000/lt → Rp1.000/lt); **Lower diesel/solar volumes** are influenced by PSBB policy

distribution realizations until May	2019	2020
 Solar/ Diesel (thousand KL)	6.434,1	5.641,6
 Kerosene (thousand KL)	224,2	195,5
 LPG tube/Propane tank 3 kg (million kg)	2.807,9	2.905,9

Electricity subsidies (trillion rupiah)



The realization of the electricity subsidy budget was higher because it included the realization of an electricity discount for 450 VA and 900 VA household subsidies of Rp 3.1 trillion, and was also influenced by the depreciation of the rupiah.

distribution realizations until May	2019	2020
 Subsidized electricity customers (Million)	56,76	36,44
 The volume of Non-subsidized electricity consumption (Twh)	64,7	74,53
 The volume of electricity consumption subsidized (Twh)	34,35	24,65

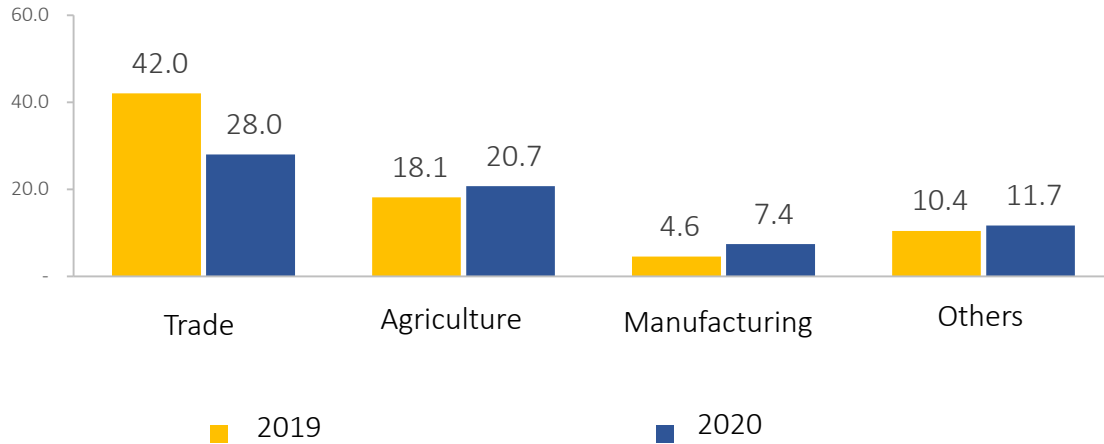


SPENDING REALIZATION (7)

Interest subsidy realization for micro, small, and medium enterprise loan (KUR)

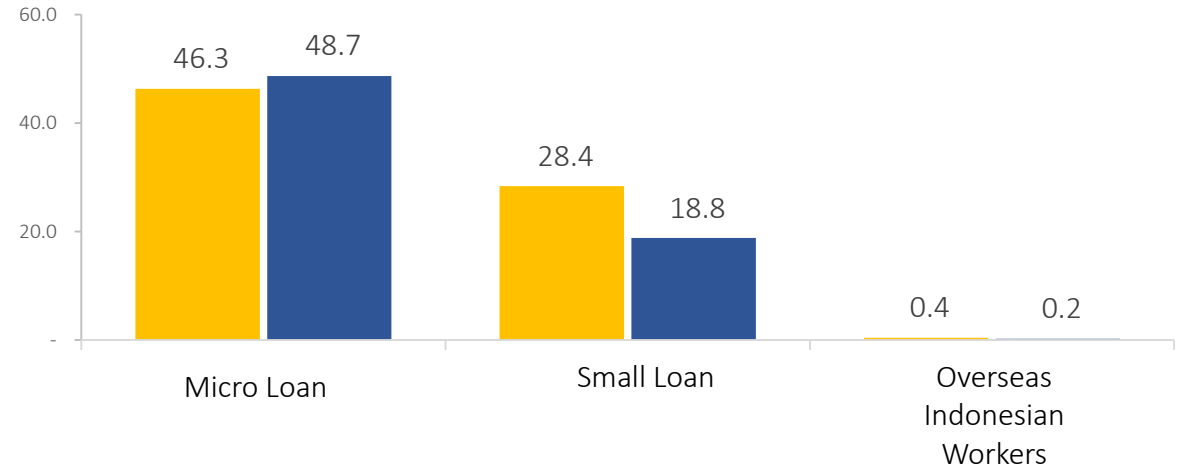
KUR Distribution (based on sectors)

Source: DG Budget, MoF, in IDR trillion



KUR Distribution (based on schemes)

Source: DG Budget, MoF, in IDR trillion

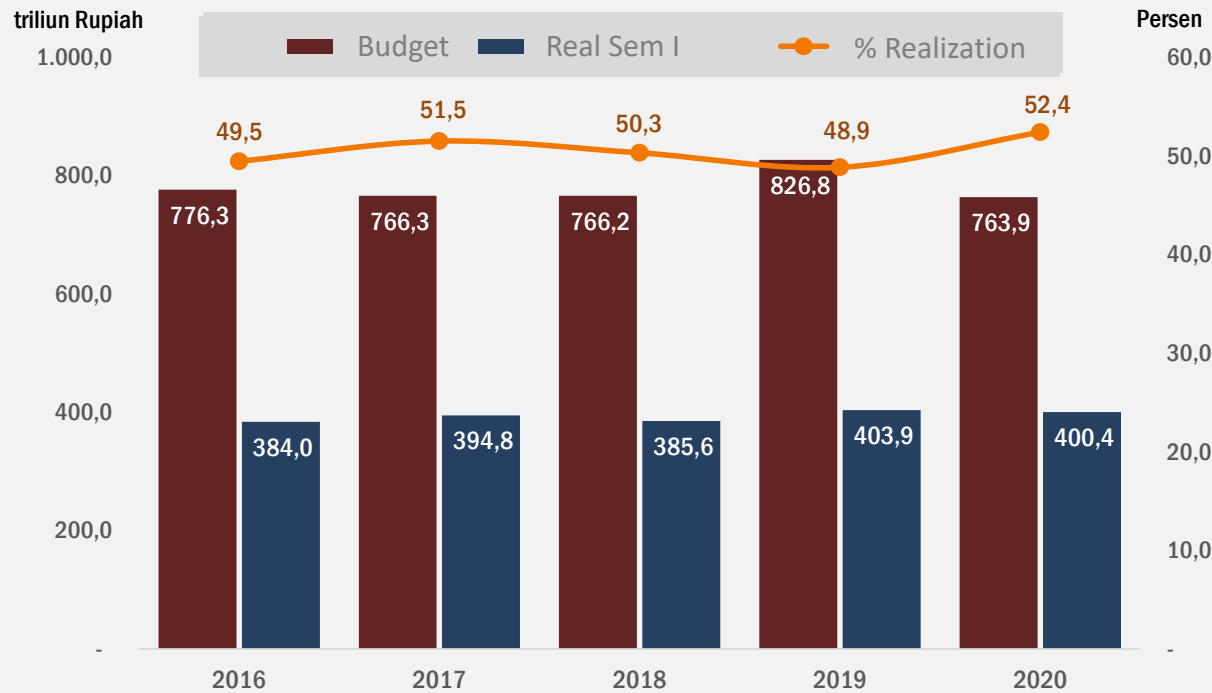


- Realization of KUR Interest Subsidies in 1st half in 2020 reached Rp5.2 T (27.9%), an increase compared to 2019 which reached Rp3.2 T (26.8%)
 - Micro loan plafond has been increased from Rp25 million to Rp50 million
- The realization of KUR distribution reached Rp67.7 T, lower than the distribution of the previous year which reached Rp75.1 T, the biggest decrease occurred in the small business scheme, as a result of the economic slowdown.
- KUR distribution by sector, the trade sector Rp28.0 T, decreased from Rp42.0 T the previous year, while other sectors increased.

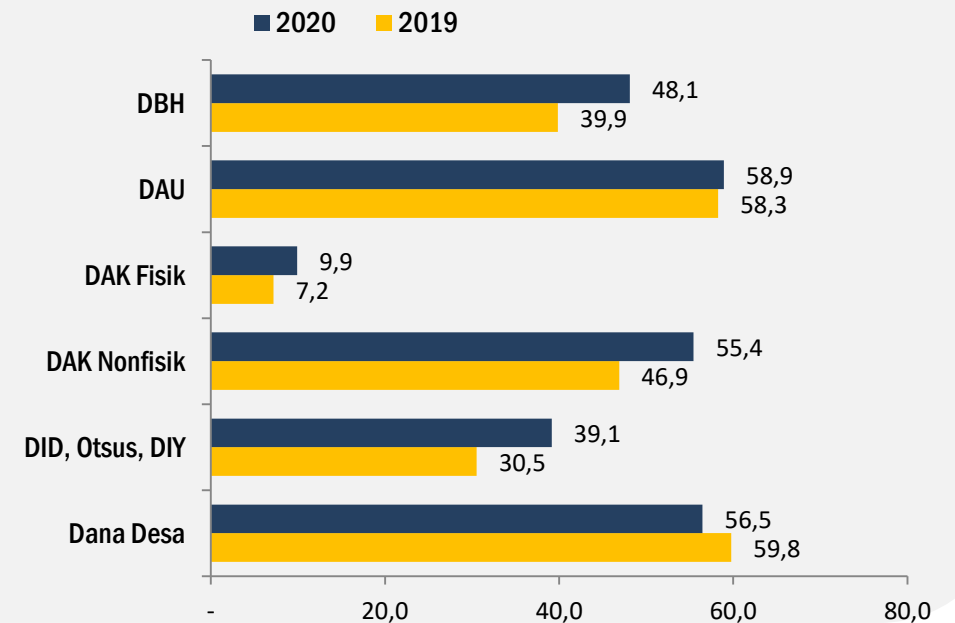


SPENDING REALIZATION (8)

Realization of Subnational Government Transfer (TKDD) reached 52.4%, mainly caused by the Realization of Special Transfer Funds (DAK)



Realization of Distribution of TKDD(% to Budget)



Factors Affecting Real in the first semester of 2020



Government policies that adjust the implementation of the 2020 state budget include TKDD through necessary steps (allocation adjustment)



The relaxation policy of the distribution of physical DAK in the health field for Covid-19 handling activities and the improvement regional performance.



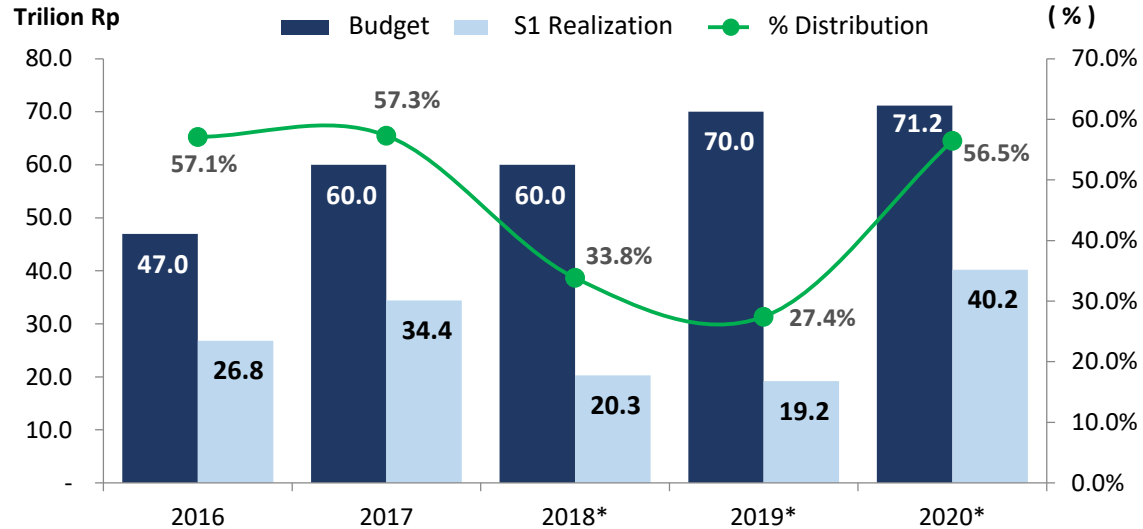
The realization of non-physical DAK is higher because the distribution of PNG TPG can be done faster than in 2019.



SPENDING REALIZATION (9)

Realization of village fund is higher than in 2019 caused by direct disbursement to the village account

Realization of Village Funds to the Village Cash Account



*) realization of Village Funds Distribution to the Village Cash Account in 2018 - 2020

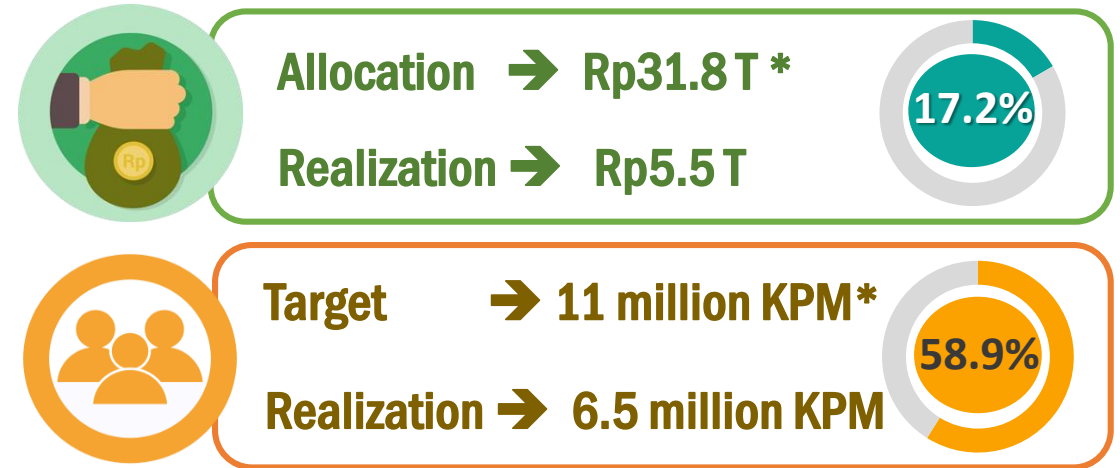


Starting in 2020 Village Funds are channeled from the RKUN to the RKD (Village Cash Account), which was originally from the RKUN to the RKUD (Regional General Cash Account) first.



The priority of the use of Village Funds is directed towards the COVID-19 pandemic handling activities and Village Direct Cash Assistance (BLT)

Realization of Village Funds BLT until June 30, 2020



*) Ministry of Village revised the target of the receiver to 8 million KPM so the Village BLT allocation target down to Rp21.6 T

FINANCING REALIZATION

Reached Rp356.1 T or 41.7% of the target. Debt financing is still on track supported by market liquidity and the Burden Sharing program

(in IDR trillion)	2019		2020				Growth (% , yoy)
	Realization - Audited	1 st Half	Budget Initial	Budget 1 st Revision	Budget 2 nd Revision	1st Half Realization	
Debt	437,5	181,2	351,9	1.006,4	1.220,5	421,5	<i>132.7</i>
- Government Bond	446,3	195,7	389,3	999,4	1.173,7	430,4	<i>119.9</i>
- Government Borrowing	(8,7)	(14,5)	(37,5)	7,0	46,7	(8,9)	<i>(39.2)</i>
Investment Financing	(49,4)	(6,5)	(74,2)	(229,3)	(257,1)	(6,0)	<i>(7.7)</i>
Government Lending	(1,3)	1,6	5,2	5,8	5,8	0,9	<i>(46.0)</i>
Guarantee	-	-	(0,6)	(0,6)	(0,6)	(0,4)	-
Others	15,2	0,0	25,0	70,6	70,6	0,2	<i>953.0</i>
Total Budget Financing	402,1	176,3	307,2	852,9	1.039,2	416,2	<i>136.0</i>

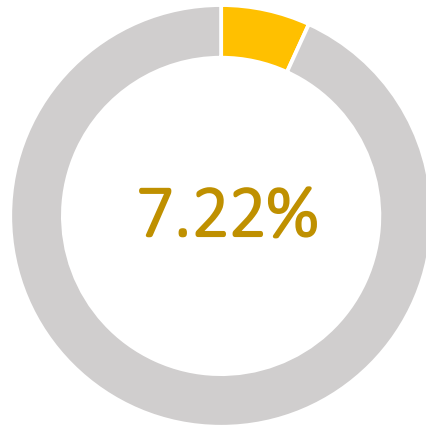
- Through the MoU 1 and 2/2020 between the Government and Bank Indonesia, BI has agreed to support the budget financing in relation with COVID-19 related spending
- National Economic Recovery is also carried out through investment financing



COVID-19 RELIEF PACKAGE IMPLEMENTATION (1)

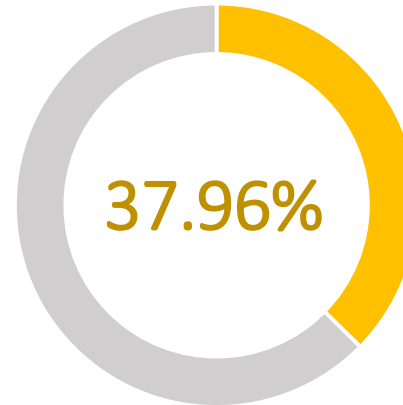
Subsidies and cash transfer for poor, vulnerable, and severely impacted people has been accelerated

COVID-19 RELATED (HEALTH) INTERVENTION



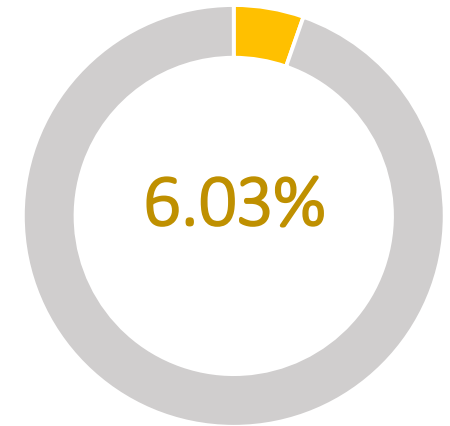
- MoH has introduced a ministerial decree regarding incentives for medical workers, applied in July 2020
- Provision of advance payment to hospital
- Subsidy for health insurance premium has been started in July

SOCIAL SAFETY NET



- Several regulations and implementation instructions of pre-employment cards have to be revised to improve program effectiveness
- Beneficiaries database has been continually updated

SECTORAL AND REGIONAL GOVERNMENT



- **Labor-intensive program has been rolled out**
- Stimulus that are delivered through regional government transfer has to be sharpened

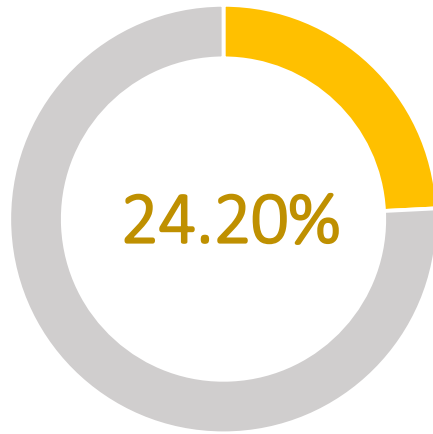
Realization as of 8th July 2020



COVID-19 RELIEF PACKAGE IMPLEMENTATION (2)

Government has been focusing to prioritize the support for MSME in the time of pandemic

SUPPORT FOR MSME

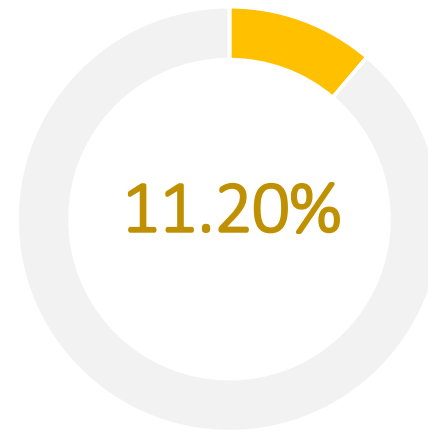


- Fund placement in SOEs bank of IDR 30 trillion as part of MSME loan distribution
- Micro loan interest subsidy (KUR): implementing banks have charged the government regarding this program
- Non-KUR interest subsidy: piloting the system

KUR: Government's program to provide low-cost loan for MSMEs

Realization as of 17th July 2020

TAX INCENTIVE



- Majority of the sectors has used the tax incentives facility
- The use is predicted to increase as the economy recovers
- Promotion on this facility will be kept rigorous

CORPORATE FINANCING



- All of the regulations have been finished
- Programs are ready to be implemented as the government is required to do so





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Thank You

Should you have further questions, please do not hesitate to contact us:



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IRU@kemenkeu.go.id

