



KEMENTERIAN KEUANGAN
REPUBLIK INDONESIA



Fiscal and Economic Updates

June 2021: **Maintaining The Momentum of Recovery**



BADAN KEBIJAKAN FISKAL
KEMENTERIAN KEUANGAN
REPUBLIK INDONESIA

The Team

Investor Relation Unit

Hidayat Amir, PhD
Director for Center of Macroeconomic Policy

Putri Rizki Yulianti
Coordinator of Investor Relation Unit

Suhendi Saputro
Head of Knowledge Management

Nina Hanifah
Staff

Andi Yoga Trihartanto
Staff

Riznaldi Akbar
Advisor

Indra Budi Sucahyo
Analyst

Hilda Choirunnisah
Staff

Adi Triyono
Staff

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



<https://fiskal.kemenkeu.go.id/informasi-publik/investor-relation-unit>



IRU@kemenkeu.go.id



BADAN KEBIJAKAN FISKAL

KEMENTERIAN KEUANGAN
REPUBLIK INDONESIA

Disclaimer

This presentation was prepared by the Fiscal Policy Agency, Ministry of Finance, Republic of Indonesia. This presentation is for your information and is subject to change without notice. By accessing this presentation, you are agreeing to be bound by the restrictions set out below. Any failure to comply with these restrictions may constitute a violation of applicable securities laws.

This presentation contains forward looking statements that involve risk and uncertainties. All statements other than statements of historical facts are forward-looking statements. These statements involve known and unknown risk, uncertainties and other factors that may cause the actual result performance or achievements of the Republic Indonesia to be materially different from those.

This presentation may not be reproduced, disseminated or quoted without the prior written consent of the Ministry of Finance of Indonesia. Relaying copies of this presentation to other persons elsewhere is prohibited.

NOT FOR PUBLICATION OR DISTRIBUTION, DIRECTLY OR INDIRECTLY, IN ANY JURISDICTION IN WHICH SUCH PUBLICATION OR DISTRIBUTION WOULD BE PROHIBITED BY APPLICABLE LAW

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



<https://fiskal.kemenkeu.go.id/informasi-publik/investor-relation-unit>



IRU@kemenkeu.go.id



KEMENTERIAN KEUANGAN
REPUBLIK INDONESIA



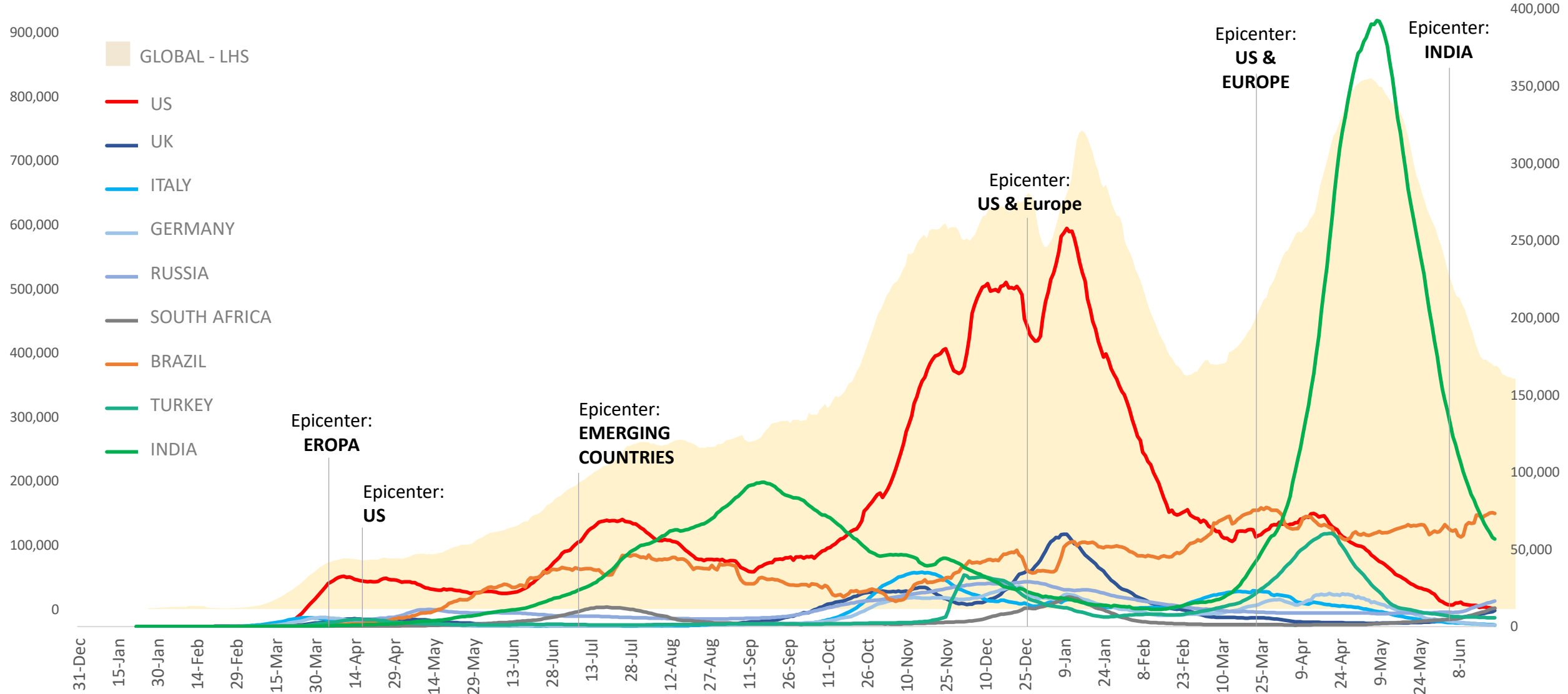
DEVELOPMENT OF THE COVID-19 PANDEMIC AND RECENT ECONOMIC UPDATES

THE UNCERTAINTY REMAINS HIGH DUE TO COVID-19 SPREAD

The epicenter keeps changing, currently Latin America, several ASEAN countries, and Africa record increasing daily case



Covid-19 Daily Cases (7-Days Moving Average)



Source: worldmeters.info/coronavirus as of June 22, 2021, processed

GLOBAL ECONOMY SNAPSHOT: THE RECOVERY TREND CONTINUES

The optimism remains high, while some factors has to be anticipated



THE GLOBAL GROWTH OUTLOOK HAS IMPROVED

The World Bank & OECD raised their forecasts for 2021 & 2022 global economic growth amid positive sentiment on the recovery and the recovery of various indicators

INTERNATIONAL TRADE & GLOBAL MANUFACTURING HAS IMPROVED

- Baltic Dry Index in the high level
- PMI Manufacture April is in the highest level since 2010

INCREASING COMMODITY PRICES

Main commodity of Indonesia export booked a significant improvement.
The price of CPO has decreased since May due to increasing stock and decreasing demand from India.

STABLE FINANCIAL MARKET

- VIX Index is in downward trend
- Positive trend of capital inflows to EMs

... SOME RISKS THAT HAS TO BE ANTICIPATED ...

NEW VARIANT OF COVID-19 VIRUS

more contagious and virulent

UNEVEN ACCESS AND SPEED OF VACINATION

raises fears of unequal pandemic control and economic recovery
(UNEVEN ECONOMIC RECOVERY)

US INFLATION CONTINUES TO STRENGTHEN AT 5.0% LEVELS IN MAY 2021

adds to the risk of rapid monetary normalization,
although the FED indicates it will hold interest rates until 2023

TRENDS OF INCREASING INFLATION IN VARIOUS ECONOMIES, SURPRISES OF CASES AND THE EMERGENCY OF NEW VARIANTS OF COVID-19

cause an increase in production costs so that it disrupts recovery

Indonesia should be able to benefit from the global recovery, but remain alert to the remain risks



INDONESIA COVID-19 CASES ARE INCREASING

We must strengthen the protocols & vaccination and stay vigilant due to the high uncertainty



COVID-19 CASES
IN INDONESIA
As of June 22

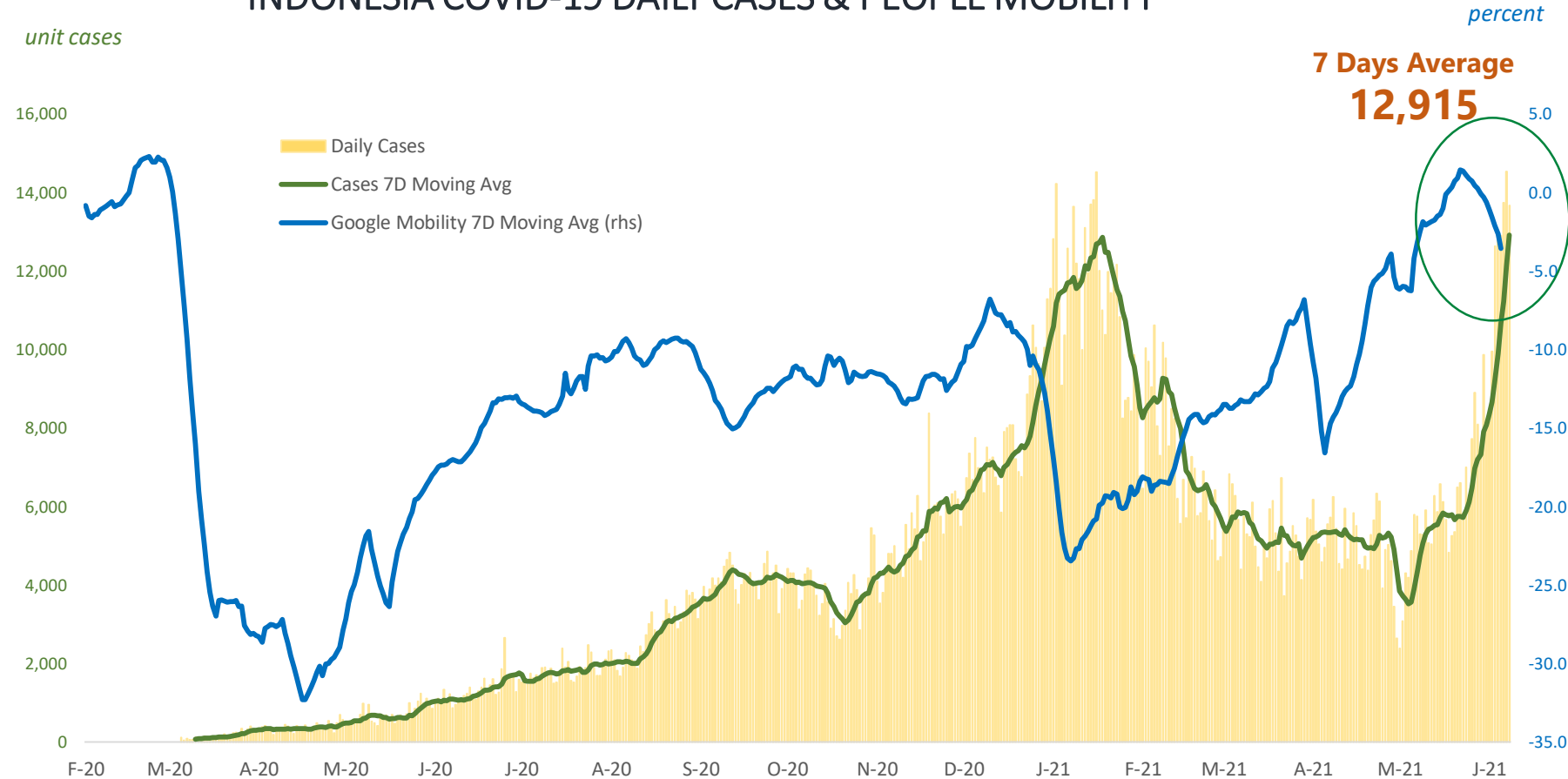
TOTAL CASES
2,018,113

RECOVERED
1,810,136
(89.7%)

ACTIVE CASES
152,686
(7.6%)

TOTAL DEATHS
55,291
(2.7%)

INDONESIA COVID-19 DAILY CASES & PEOPLE MOBILITY



3M (Mask, Handwashing, & Distancing), 3T and Vaccination must be strengthened to trend down domestic case

VACCINES AS THE GAME CHANGER

Accelerated around the world, is expected to immediately end the pandemic and strengthen economic recovery



Vaccination Progress in Several Countries (million doses, as of June 22)

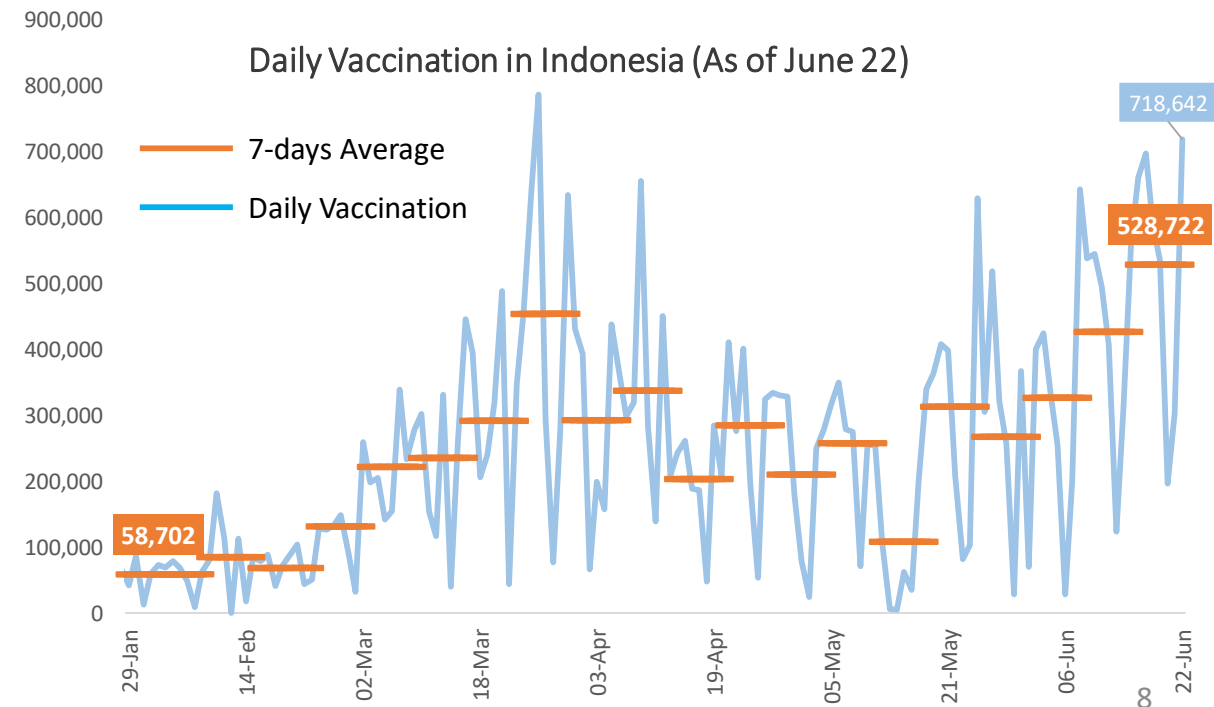


> 2.66 Billion doses cumulative worldwide
~ 39.2 Million doses per day worldwide
~ 180 Countries already started vaccination

Source: Bloomberg Vaccine Tracker

Indonesia is planning to complete vaccination until March 2022

First Wave Second Wave



THE TREND OF ECONOMIC RECOVERY CONTINUES

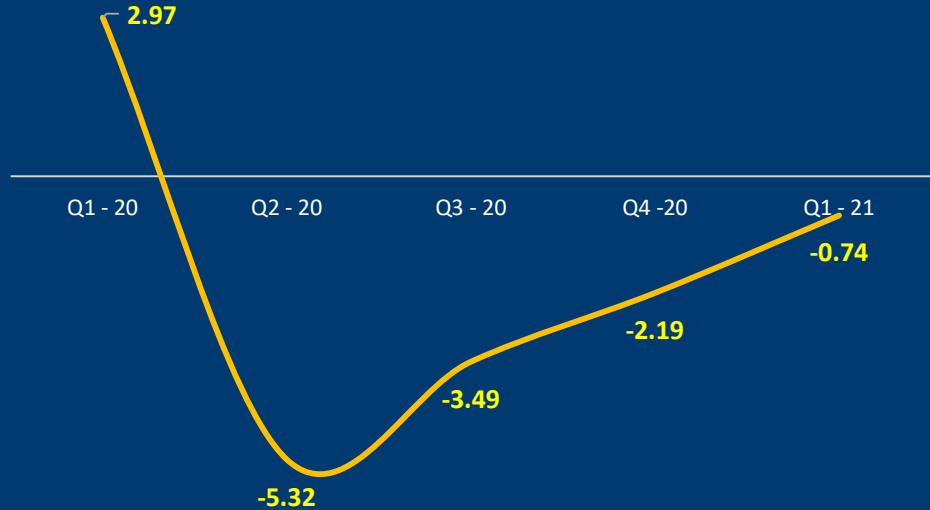
The state budget plays a main role in promoting economic recovery



Quarterly Economic Growth (% YoY)

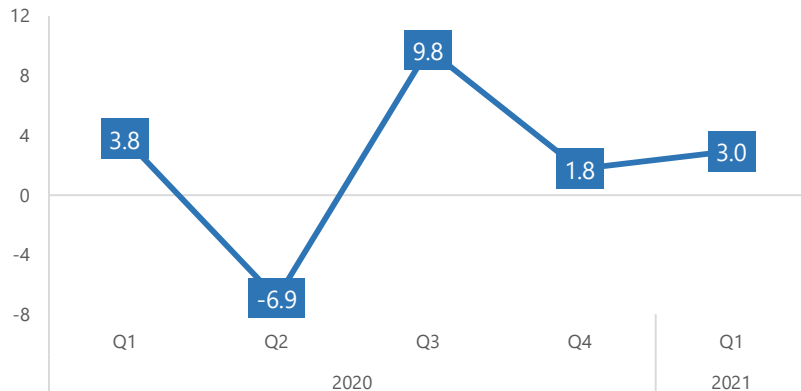
Source: Statistic Indonesia, Ministry of Finance (forecast)

Annual Growth 2020:
-2.07% (yoy)

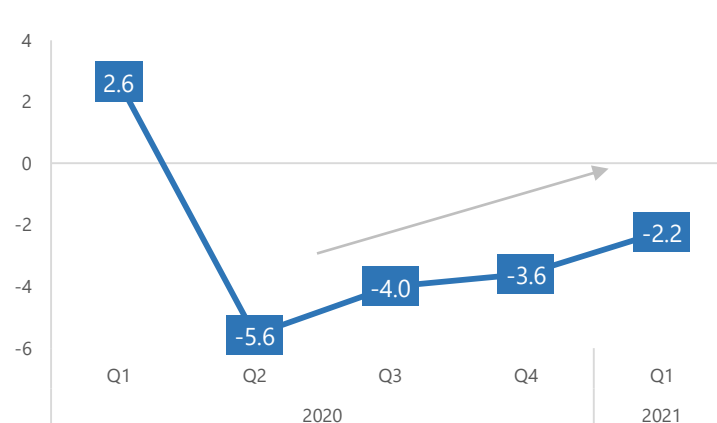


- **Economic growth has consistently improved since the shock caused by Covid-19 pandemic.** The improvement was in line with better pandemic handling measures.
- **State expenditure remains a key to stimulating the economy in Q1-2021.** Expansive fiscal strategy has been boosting not only government consumption but also household consumption through social protection program and public investment, particularly in infrastructure.
- **Government consumption continue posted positive growth at 2.96% (YoY) driven by an expansive and accelerative state budget.** Community services have begun to increase along with vaccination program for service worker in Q1-2021.
- **Household consumption continues to improve** in line with the increased of public confidence to resume economic activities and the effectiveness of PEN program which is able to maintain the purchasing power of the low and middle income class.
- **State budget has contributed to the improvement of the investment** through capital expenditure, particularly in basic infrastructure project and connectivity project, including the sustainability of PSN (national strategic project), which was delayed in 2020.

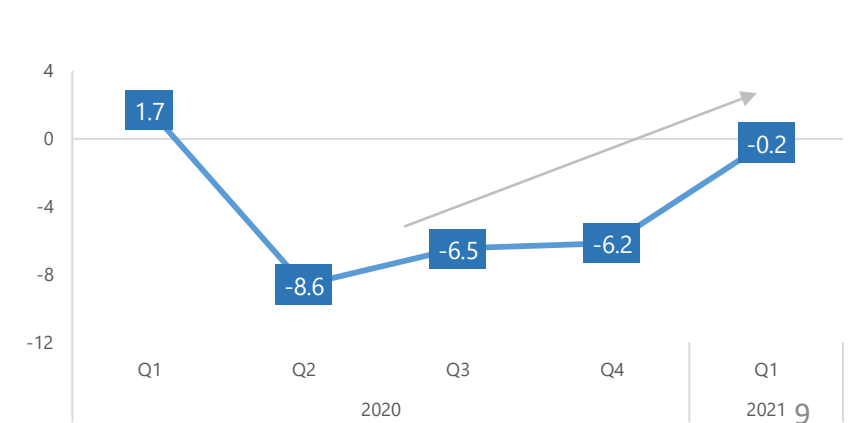
Government Consumption



Household Consumption



Investment



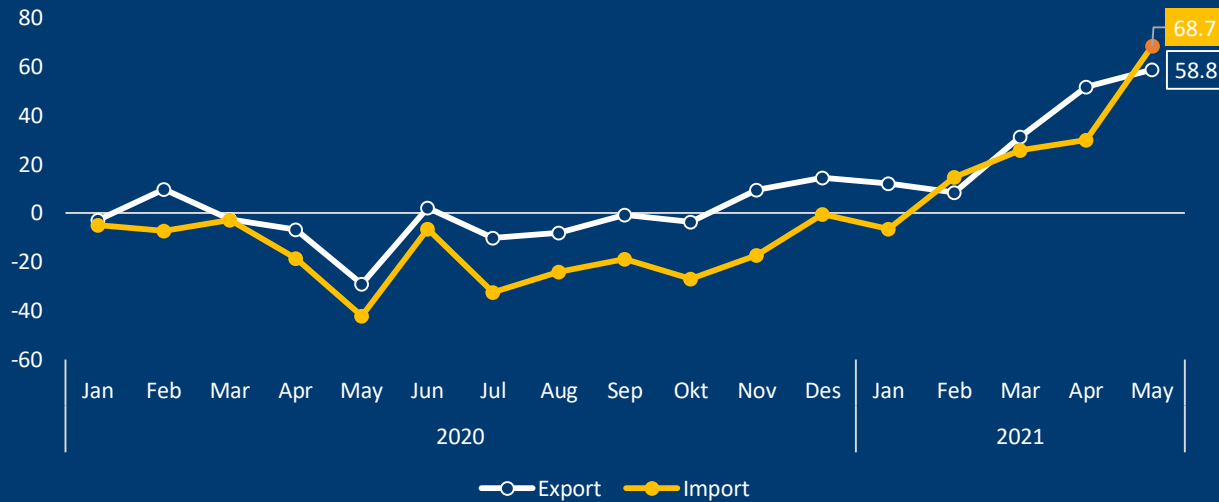
INDONESIA TRADE BALANCE CONTINUES TO RECORD A SURPLUS

The recovery in demand and the global economy has pushed up global commodity prices, which brings both opportunities to the Indonesian international trade



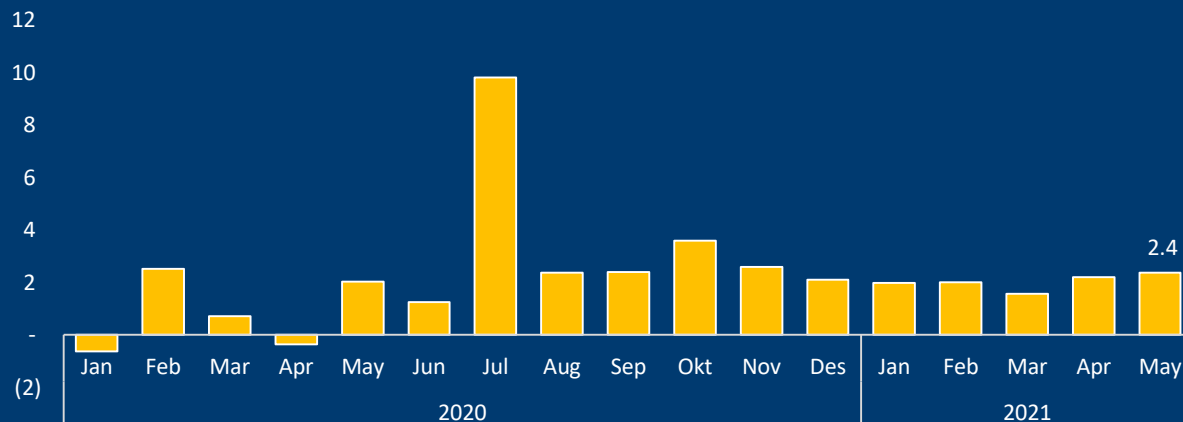
Export and Import Growth

Source: Statistics Indonesia, % YoY



Balance of Trade

Source: Statistics Indonesia, in Billion USD



Trade Surplus

2020: 21.7 billion USD
January 2021: 1.9 billion USD
February 2021: 2.0 billion USD
March 2021: 1.6 billion USD
April 2021: 2.2 billion USD
May 2021: 2.4 billion USD

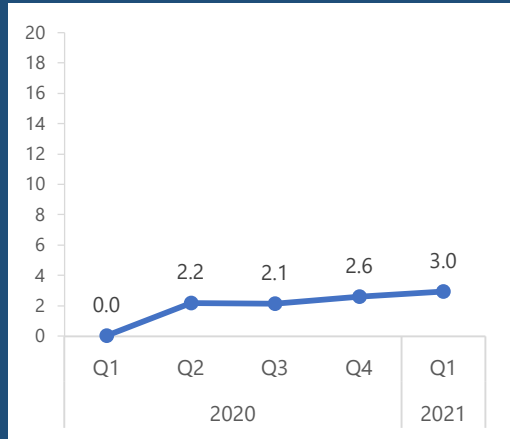
- The increasing trend in Indonesia's international trade performance also keeps continuing. **The export component grows strongly by 58.8% (YoY) in May 2021.**
- The improvement in global commodity prices** has been a supporting factor in improving the performance of exports of key commodities. In May, export performance was driven by export of iron and steel, plastics and organic chemicals.
- The upward trend in imports will continue in May, grew by 68.7% (YoY),** continuing the positive growth recorded in previous month.
- This positive import performance shows the recovery in production activities and an increase in domestic demand,** in line with the increase in imports of raw materials and imports of capital goods.

THE RECOVERY TREND IS ALSO INDICATED FROM THE PRODUCTION SIDE

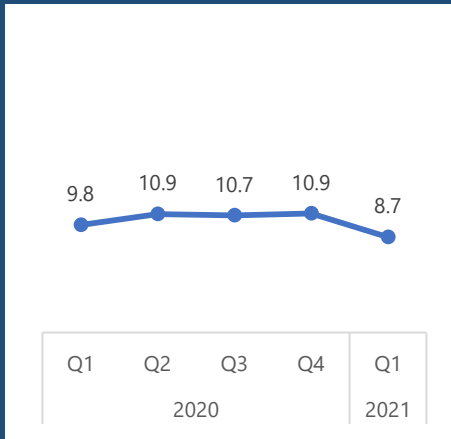
Some sectors have the resilience to keep growing positively during the pandemic



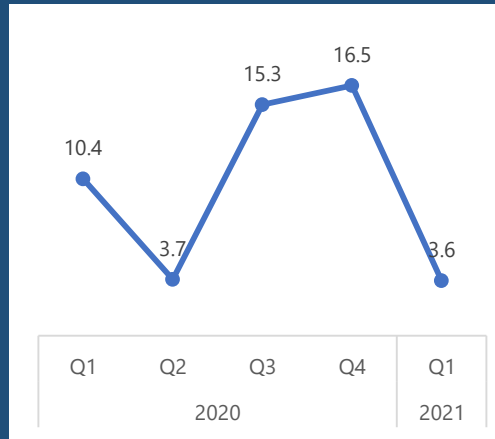
Agriculture (Share to GDP: 3.7%)



ICT (4.5%)

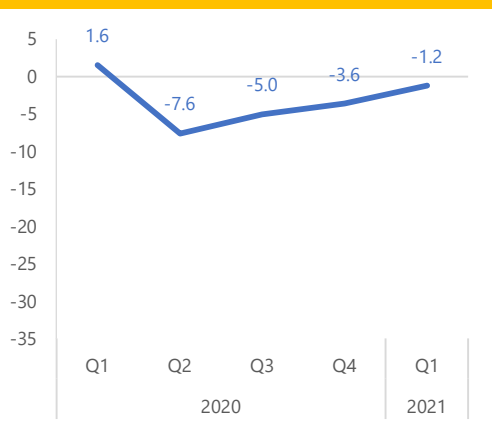


Health Services (1.3%)



- **Most sectors have shown an improving direction** of the economic growth trend since Q4 2020.
- Main sectors that have continued to maintain positive growth:
 - **Agricultural sector**, supported by conducive weather conditions and increased production of food crop groups.
 - **ICT Sector**, in line with the highly needs for daily online activities during the pandemic
 - **Health Services Sector**, in accordance with the needs of handling the COVID-19 pandemic.
- **The trade sector performance continues to move into positive territory**, in parallel with the improving level of private consumption
- **The performance of the construction sector continues to strengthen**, supported by the continuation of National Strategic Projects
- **The recovery of the tourism support sector is still limited, but shows a gradual recovery**
 - **The performances of Hotels, Restaurants, and Transportation** are relatively better along with the increase in people's mobility

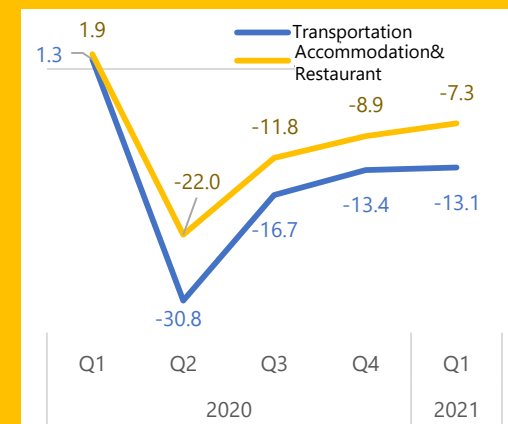
Trade (12.9%)



Construction (10.7%)

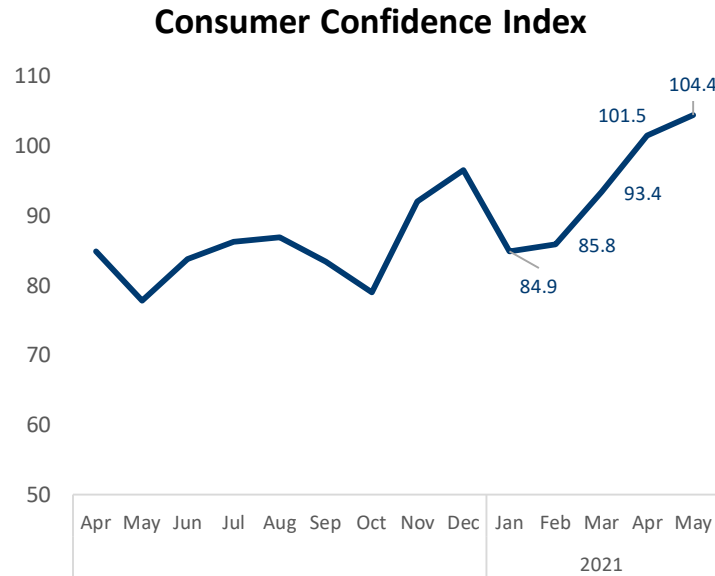


Hotels and Restaurants (7.0%)

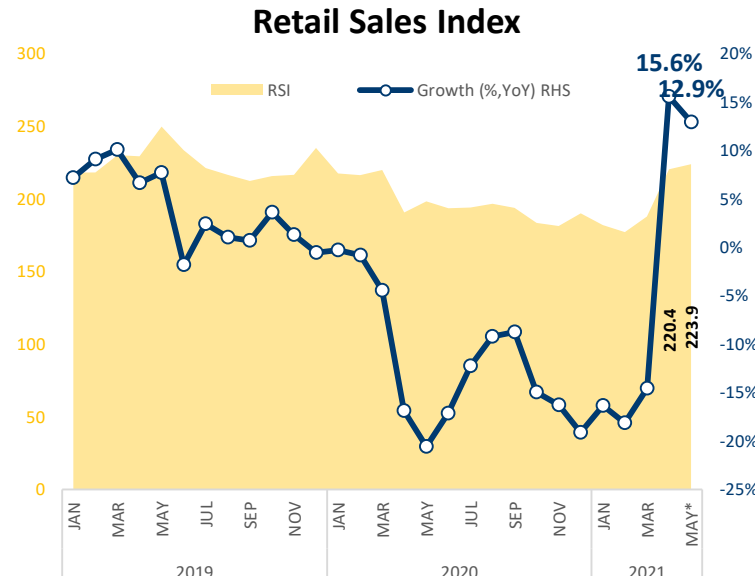


PUBLIC CONSUMPTION INCREASES DURING RAMADHAN AND IDUL FITRI

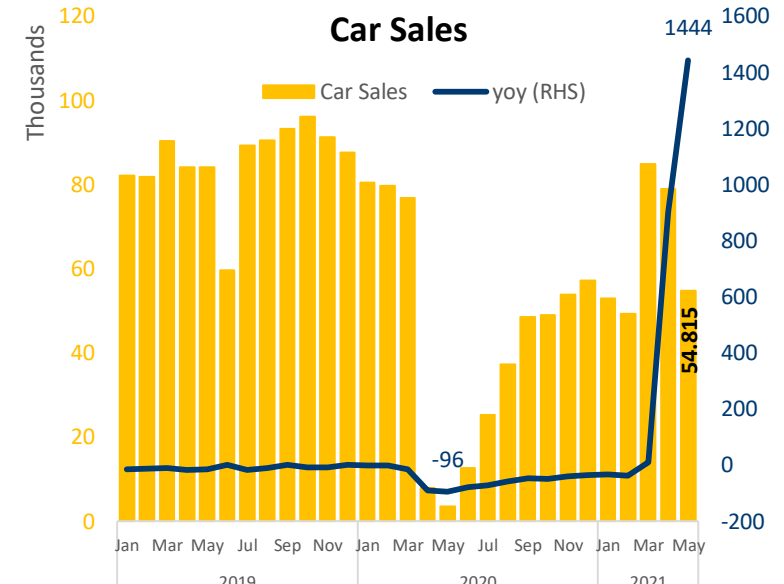
Encouraging household consumption growth which is projected to return to the positive zone in Q2-2021



Source: Indonesia Central Bank



Source: Indonesia Central Bank

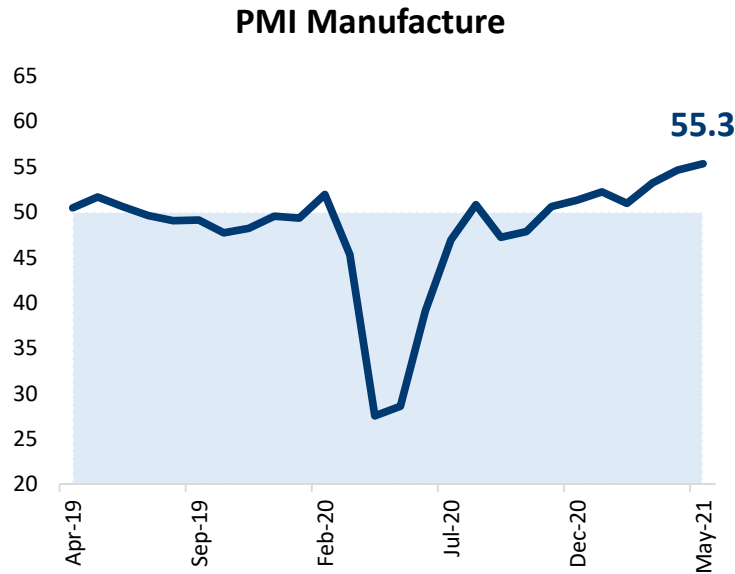


Source: Gaikindo

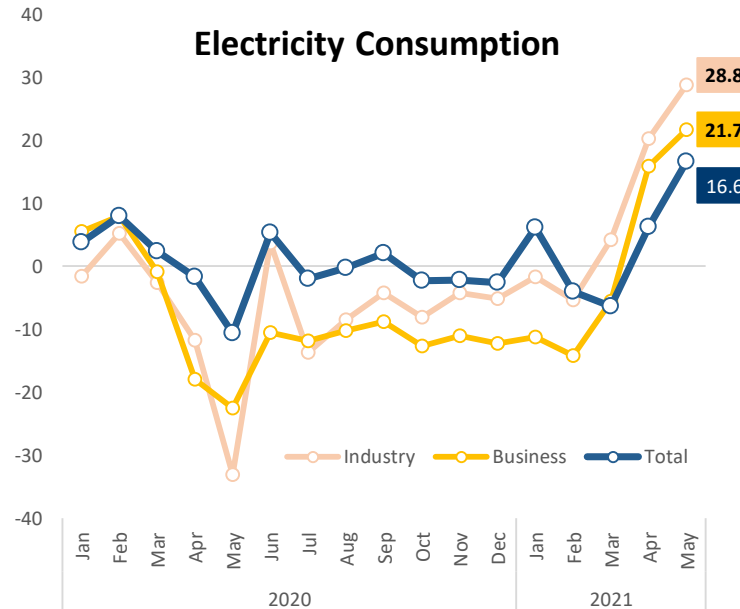
- **Consumer confidence index in May at level 104.4, increase compare to previous number 101.5 in April.** It is showing consumer optimism continues to strengthen and positive responses to the decline in Covid-19 cases in May.
- **The Retail Sales Index (RSI) shows the continuation of the recovery in consumption in April and is predicted to grow 12.9% YoY in May.** The improvement in the RSI was supported by an increase in consumption in all categories, especially the F&B, clothing, and household equipment.
- **Car sales in May grew high, reaching 54.8 thousand units.** The 100% luxury tax (PPnBm) incentive for car purchase was extended to boost public consumption activities during the economic recovery period.
- However, in following periods, the increasing trend of consumption is expected to be relatively restrained until the vaccination rate accelerates significantly **and the Covid-19 cases can be controlled.**

THE IMPROVEMENT ON PRODUCTION ACTIVITY

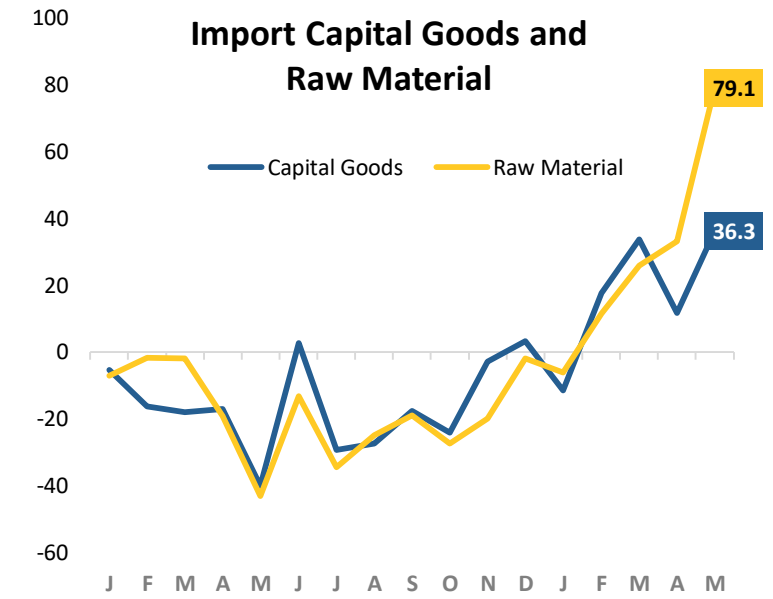
The confidence in economic recovery triggered the firm to start to expand its production



Source: IHS Markit



Source: PT PLN



Source: Indonesia Statistics

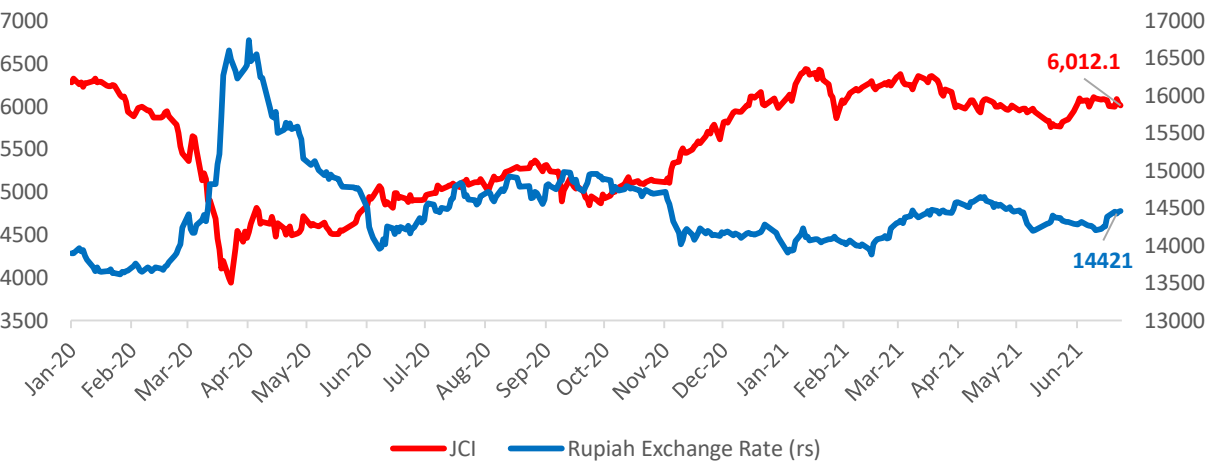
- **Indonesia's Manufacturing Purchasing Managers' Index (PMI) in May 2021 continued to increase to the level of 55.3, rose from 54.6 in April 2021,** and recorded a new highest survey record for three consecutive months. This increase came on the back of increasing new orders and output as that the industrial sector activity is starting to rise.
- **The rise in production activity aligns with a significant increase in electrical consumption that grew by 16.6% (YoY),** especially for business and industry that grew by 21.7% and 28.8% (YoY) in May.
- **The increase in production activity is also evident from the growth in imports of raw material and capital goods,** continuing the positive growth by 36.3% and 79.1% (YoY), respectively.

DOMESTIC FINANCIAL MARKETS HAVE PRESSURE POST THE FED'S FOMC MEETING

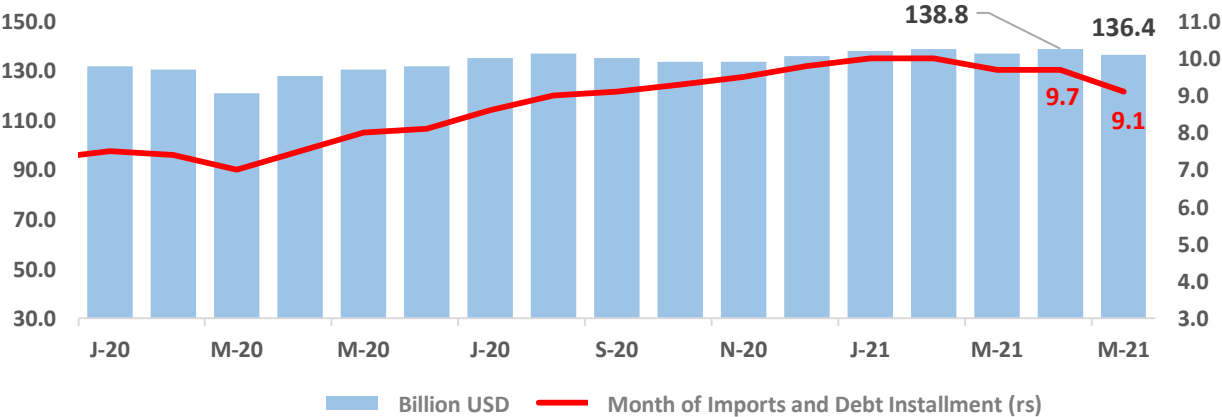
However foreign capital flows still maintained



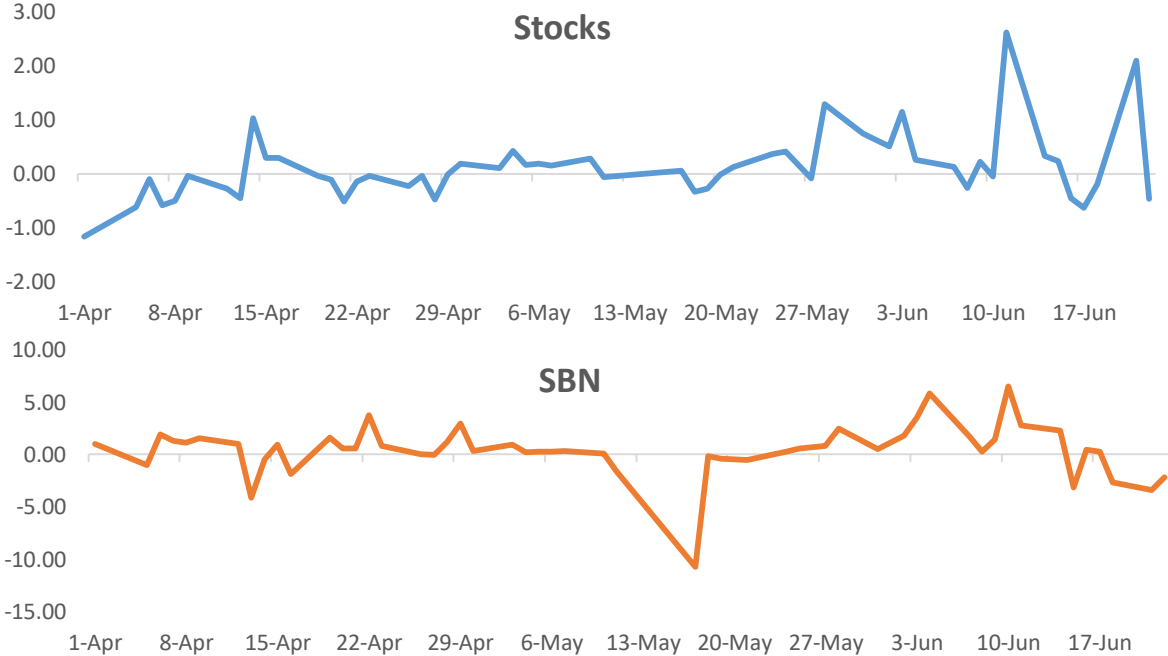
JCI Index and Rupiah Exchange Rate



Foreign Exchange Reserves

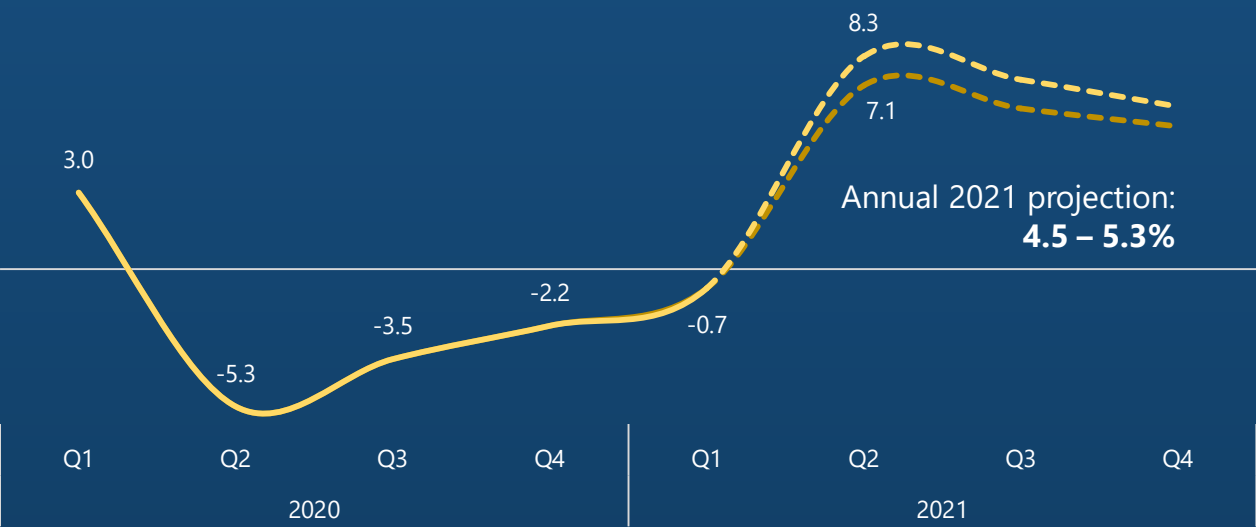


Net Foreign Buy / Sell (IDR T)



- The results of the FOMC Meeting which indicated that the Fed would accelerate the rate hike in 2023 by 2 times (previously at the beginning of 2024), prompted investors' concerns to switch to safe havens
- The dollar index to increase and suppressed the movement of emerging markets including the Rupiah, as well as the movement of global stock exchanges including JCI
- The high increase in domestic COVID-19 cases has become a negative sentiment on the domestic financial market.
- Foreign exchange reserves in May decreased by USD2.4 billion, to a level of USD136.4 billion, or equivalent to 9.1 months of import payments and the Government's External Debt. This significant decline was due to the payment of Government external debt.

INDONESIA ECONOMIC PERFORMANCE CONTINUING THE PHASE OF RECOVERY







HOWEVER WE MUST BE AWARE OF THE IMPACT OF THE INCREASE IN COVID-19 CASES



Potentially hold back the pace of economic recovery & suppress growth projections to the lower range or even lower

Until mid-June, the economic indicators are showing improvement, indicating the economic recovery. Economic growth in Q2 has still projected to grow high due to the festive Eid moment and base effect factor.

	PROJECTION FROM INTERNATIONAL INSTITUTIONS			
	 World Bank	 IMF	 ADB	 OECD
2021	4,4	4,3	4,5	4,7
2022	5,0	5,8	5,0	5,1

Source: Institutions latest publication

Expectations of economic recovery must be supported by anticipatory measures to address the pandemic in order to maintain the momentum of recovery

- More massive vaccination,
- Strengthen test, tracing, and isolation,
- Increasing community discipline in implementing the 3M health protocol.

S&P AND R&I AFFIRM THE INDONESIAN CREDIT RATINGS

Other rating agencies have also maintained Indonesia's credit rating amidst massive downgrades due to the impact of the Covid-19 pandemic



Affirmation of Indonesia's rating by S&P and R&I confirms that the recovery is on track: Handling COVID-19 & Vaccination, Macro Fiscal Stable, Structural Reform - Job Creation Law

S&P Global
Ratings

Affirms BBB negative

22 April 2021

The country's economy is stabilizing, and gradual fiscal consolidation and improved trade flows are likely over the next three to four years

R&I

Affirms BBB+ stable

22 April 2021

Indonesia's economy will likely return to a pre-coronavirus growth level in one to two years. The government's structural reform efforts are also expected to boost growth potential in the medium to long term.

FitchRatings

Affirms BBB stable

22 March 2021

Indonesia's rating balances a favorable medium-term growth outlook and a low debt to GDP ratio against dependence on external financing and lagging structural features compared with 'BBB' peers, such as GDP per capita


MOODY'S

Baa2 stable

Annual Credit Analysis, 16 February 2021

The credit profile of Indonesia is supported by its large economy, low fiscal deficits and modest debt burden, that counterbalance reliance on external funding and a degree of economic concentration to commodity cycles.

Rating Action during the 2020 Pandemic

 **124** Rating Downgrades **133** Revised Outlook Negative

51 by Fitch
35 by Moody's
38 by S&P

51 by Fitch
36 by Moody's
46 by S&P

- Covid-19 Pandemic has brought a significant pressure on sovereign rating → the pandemic had a major impact, especially on countries' fiscal conditions
- The rating action in 2020 is more than during the 2008 GFC crisis
- **In 2021, Indonesia is still able to maintain its rating** amidst 19 Rating Action Downgrades and 10 Revised Negative Outlook by three agencies.

Indonesia's Rating Position

Rating Agency	Sovereign Credit Rating	Outlook	Date of Rating Action
Moody's	Baa2	Stable	14 Feb 2020
JCR Agency	BBB+	Stable	1 Dec 2020
Fitch	BBB	Stable	22 March 2021
S&P	BBB	Negative	22 April 2021
R&I	BBB+	Stable	22 April 2021



KEMENTERIAN KEUANGAN
REPUBLIK INDONESIA



2021 BUDGET & STRUCTURAL REFORM FOR RECOVERY

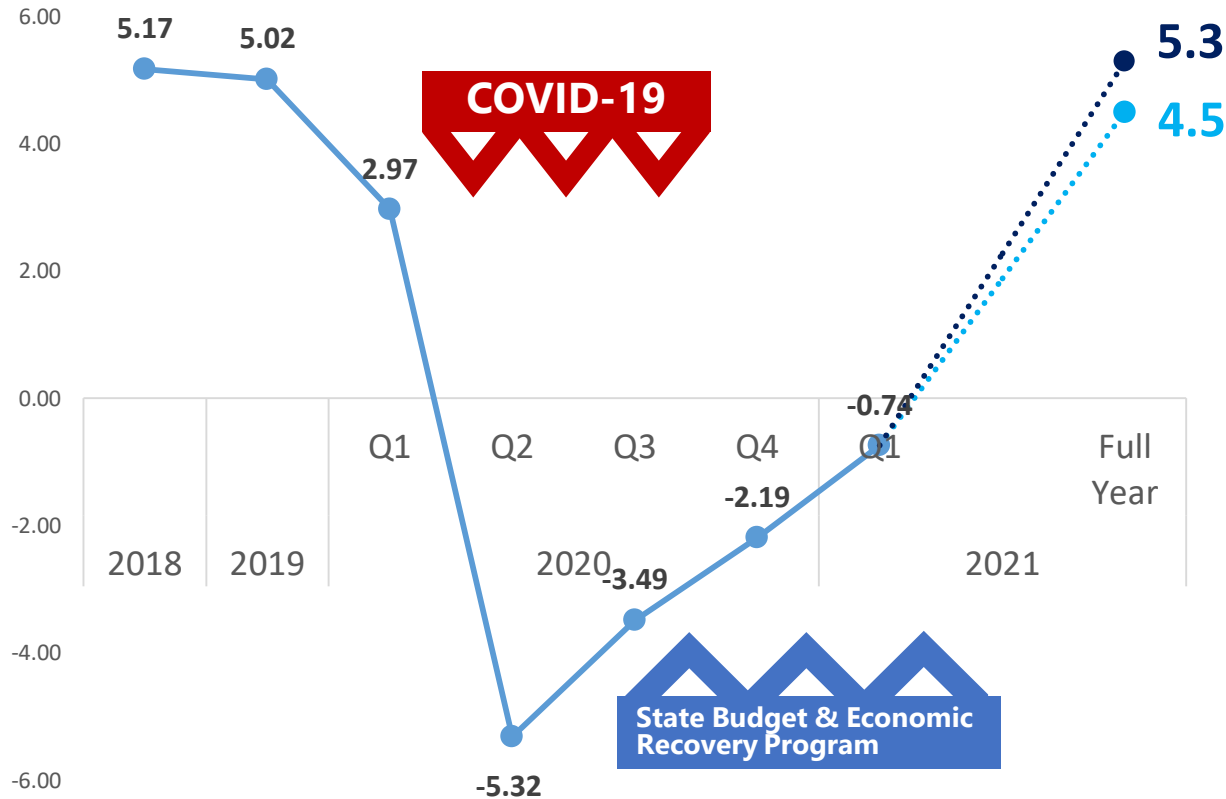
THE STATE BUDGET TO BE A CENTRAL ROLE IN PROMOTING ECONOMIC RECOVERY

Implementing a countercyclical policy prevents a deeper contraction in the economy



Indonesian economic growth (% , yoy)

Source: BPS, 2020 annual GDP growth of 2.07%



State budget continue to work hard in 2021

	2020 Realization (Audited) (Rp trillion)	2021 Allocation (Rp trillion)	Growth (%)
State Budget	2,595.5	2,750.0	6.0
National Economic Recovery Program (PEN)	575.9	699.4	21.4
Health	62.7	172.8	175.6
Social Protection	216.6	148.3	-31.5
MSMEs Support & Corporation Financing	173.0	193.7	12.0
Business Incentives	58.4	56.7	-2.9
Priority Program	65.2	127.8	96.0
Deficit (% to GDP)	6.14	5.70	

- **The economic growth has started to show an indication of improvement.** The government plays a role as the center of recovery, being the only component that grows positively. Other expenditures components shows the direction of improvement
- **The state budget has succeeded to prevent a deeper economic contraction due to the pressure of the Covid-19 pandemic.** Without The state budget & National Economic Recovery Program (PEN), the 2020 economic contraction would be deeper.
- **In 2021, the APBN and fiscal policy will continue to play their role in driving the recovery of Indonesian economy**

GOVERNMENT SUPPORTED MSMES AND BUSINESS RESILIENCE



The government spends IDR112.44T to support the sustainability of 37million MSMEs through interest subsidies, credit distribution through fund placement, Micro Business President Assistance (BPUM), Final Income Tax exemption and investment financing through LPDB.



Fund Placement IDR66.75 T

Total Credit Rp315.51 T
For 4.7 million debtors



Interest subsidy IDR12.83 T

For 19.1 million Debtors



Banpres for Micro Business Actors (BPUM) IDR28.8 T

Grant IDR 2.4 million /
business for 12 million
businesses



Credit Guarantee IDR2.09 T

- Accumulated working capital credit: IDR19.32 T
- Total working capital credit debtors: 923.67 Th



Final Income Tax for UMKM IDR0.67 T

For 248,275 Tax Payers



Investment Financing LPDB IDR 1.29 T

For 63 cooperative partners
and 101,011 MSMEs

Tax incentives has been utilized and has supported 464,316 tax payers

Incentive to improve
people purchasing
power



Gov't borne income tax

131,889 Employers

Incentives to support
business liquidity and
continuity



14,941

Income Tax Exemption
on Import



66,682

Reduction on Tax
Installment



2,529

Accelerated Tax
Refund

Incentive to support
the MSMEs



Final Income Tax for
MSMEs

248,275 MSMEs

The tax payers most affected by pandemic has dominated the incentives utilization



47%

Trade



19%

Manufacturing



7%

Construction

**apart from MSME incentives (58% of trade sector)*

The Majority of eligible sectors have utilized the incentives

- Government-Borne Income Tax
- Income Tax Exemption on Import

90%

72%

- Reduction of Tax Installment
- Accelerated Tax Refund

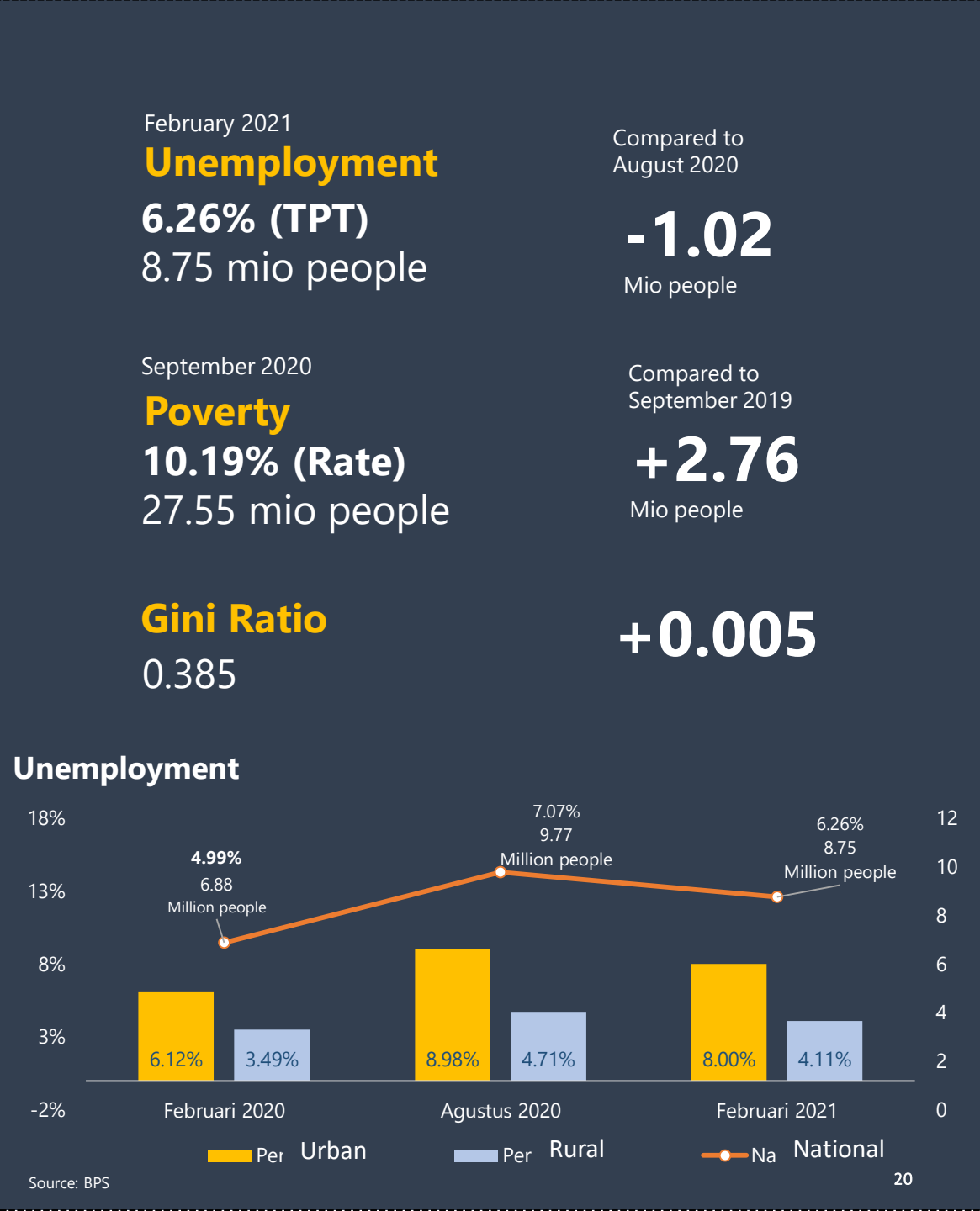
86%

43%

ECONOMIC RECOVERY AND COUNTERCYCLICAL MEASURES CONTRIBUTE IN JOB CREATION



- **Open unemployment rate (TPT) improves at 6.26% in February 2021, compared to August 2020 at 7.07%.** Some sectors create more jobs than August 2020:
 - Agricultural sector creates 0.6 million new jobs (1.4%)
 - Manufacturing creates 0.3 million new jobs (1.9%)
 - Trade sector creates 0.5 million new jobs (1.9%)
 - Accommodation, food and beverages sector creates 0.6 million new jobs (7.4%)
- The highest TPT was found in Riau Islands (10.2%), Banten (9.01%), West Java (8.92%), and DKI Jakarta (8.51%), but it is improved, lower than August 2020 number.
- In general, **there has been a decrease in the number of workers affected by the pandemic by 10 million people.**
- **Economic recovery needs to be maintained and strengthen to create more jobs and absorb more labor** since the increase in the number of people working in Q1 2021 is due to the harvest period of food crops.



2021 BUDGET IS A CRITICAL TOOL TO DRIVE THE ECONOMY AMIDST UNCERTAINTY

The acceleration of budget expenditure to support economic recovery is on track, will be continuously controlled and monitored



Account (IDR T)	2020				2021			
	Audited	Realization as of 31 May	% of Perpres 72/2020	YoY (%)	Budget	Realization as of 31 May	% of Budget	YoY (%)
Revenue	1,647.8	664.6	39.1	(9.0)	1,743.6	726.4	41.7	9.3
Tax Revenue	1,108.8	444.6	37.1	(10.8)	1,229.6	459.6	37.4	3.4
Customs & Excise	176.3	81.7	39.7	12.4	215.0	99.3	46.2	21.6
Non Tax Revenue	343.8	137.0	46.6	(13.6)	298.2	167.6	56.2	22.4
Expenditure	2,595.5	849.3	30.8	(1.4)	2,750.0	945.7	34.4	12.2
Central Government Expenditure	1,833.0	537.3	27.2	1.2	1,954.5	647.6	33.1	20.53
Regional Transfer & Village Funds	762.5	306.6	40.1	(5.7)	795.5	298.0	37.5	(2.8)
Primary Balance	(633.6)	(33.7)	4.8	(2,691.4)	(633.1)	(67.6)	10.7	100.6
Surplus (Deficit)	(947.7)	(179.4)	17.3	42.6	(1,006.4)	(219.3)	21.8	22.2
<i>% to GDP</i>	<i>6.14</i>	<i>(1.16)</i>			<i>(5.70)</i>	<i>(1.32)</i>		
Financing	1,193.3	357.9	34.4	123.8	1,006.4	309.3	30.7	(13.6)
Budget Surplus (Deficit)	245.6	178.5	-	-	-	90.0	-	-

STATE REVENUE POLICY

- Supporting national economic recovery by providing tax incentives selectively and prudently calculated
- Cutting the red tape to accelerate national economic recovery
- Improving public services to optimize non-tax revenue

EXPENDITURE FOCUS

- Handling COVID-19 and supporting health programs
- Continuing social safety net to lay a solid foundation of inclusive economic recovery
- Expanding access to capital for MSMEs and cooperatives through interest subsidy
- Supporting programs activities for impacted sectors (e.g. Tourism)

FINANCING STRATEGY

- Supporting the restructuring of SOEs, PSA, Sovereign Wealth Fund (SWF)
- Increasing access to financing for MSMEs and housing for low-income household
- Continuing to support higher education,, research and cultural activities

ECONOMIC RECOVERY POLICY FRAMEWORK 2021



Social Protection Programme For bottom 40 and the vulnerable group: PKH, Sembako card, BST, BLT DD, Pre employment, electricity discount, internet subsidy

**SURVIVAL
AND
RECOVERY
KIT**

Maintaining Business Continuity

- Support for SMEs and cooperation
- Priority programs to support job creation



Through the Job Creation Law

to address various challenges of national development (providing employment opportunities, empowering MSMEs, regulatory reform, SWF development, Ease of Doing Business, etc.)



**STRUCTURAL
REFORM**

**GAME
CHANGER
2021**

NATIONAL ECONOMIC RECOVERY

**HEALTH
INTERVENTION**

- **Free Vaccination** → for 181.5 million people to achieve herd immunity
- **Encouraging 3M 3T**
- **Other intervention** → Health facilities, Health Protective Equipment



THE PEN PROGRAM AS THE KEY INSTRUMENTS FOR COVID-19 HANDLING

Evidence of the government's commitment to accelerate the economic recovery



Projected Allocation for PEN 2021 IDR 699.43 T* (2020 PEN Realization at IDR 571.9 T)*

Health

IDR172.84 T

2020 : IDR62.7 T

1. The COVID-19 vaccine
2. Medical Facilities and Infrastructure
3. Health Care Claim Costs
4. Medical Personnel Incentives and death compensation
5. Reserve BPJS Contribution
6. Assistance for PBPB / BP
7. Health tax incentives (including VAT and import duty incentives for vaccine purchases)
8. Transfer to region and Village fund for health sector

Social Protection

IDR148.27 T

2020 : IDR215.6 T

1. PKH 10 million beneficiaries (KPM)
2. Basic Food/SEMPAKO Card
3. Pre-Employment Card
4. Cash Transfer - Village Fund
5. Cash Social Assistance 10 million KPM
6. Internet Subsidy
7. Electricity Discount
8. Job Loss Guarantee Contribution

The budget for Social Protection and Health Program in 2021 **increase by 17.5% in total**

Crucial programs to **maintain public health, stabilize of the purchasing power of the poor and vulnerable, and push community confidence**

Priority Programs

IDR127.85 T

2020 : IDR65.2 T

1. Tourism Supports
2. Food Security/Food Estate
3. ICT Development
4. Loan to Regions
5. Labor Intensive Program
6. Industrial Area
7. Other Priority Programs

MSMEs & Corporation Support

IDR193.74 T

2020 : IDR173.0 T

1. KUR and non- KUR interest subsidy
2. Micro business assistance (BPUM)
3. Loss Limit Guarantee for MSMEs & Corporation
4. Guarantee services (IJP) of MSMEs and cooperatives
5. Electrical Assistance
6. Other PEN Programs
7. Placement of Funds
8. PMN to SOEs carrying out assignments (HK, ITDC, Pelindo III, KIWI)

Business Incentives

IDR56.73 T

2020 : IDR55.3 T

1. Government-Borne Income Tax
2. Income Tax Exemption on Import
3. VAT Refund
4. Government-Borne Income Tax for MSMEs
5. Incentives on sales tax of luxurious good for motor vehicle
6. VAT Incentives for property sector
7. Reduction of Tax Installment
8. Corporate income tax tariff reduction
9. VAT not-collected/exempted (Bonded Zone/KITE)
10. Import duty incentives

- Increased support for business to **jump-start the economic activities and maintain the sustainability of strategic sectors**
- This support is also directed at **stimulating the demands of the people** who have been restrained during the pandemic, especially the middle class
- Sales Tax of Luxurious Goods (PPnBM) for motor vehicle borne by the government reaches at IDR 2.99T and VAT borne by the government for property sector reaches at IDR 5.0T

STRUCTURAL ECONOMIC REFORM STARTED WITH THE ENACTION OF LAW NO 11/2020 ON JOB CREATION

**Investment Growth
& Licensing
Simplification**

**SOEs Simplification
and Protection**

Human Resources

**Research and
Innovation Support**

**Ease of Doing
Business**

Land Management

**Special Economic
Zones (KEK)**

**Government
Administration**

**Government Investment
Authority & National
Strategic Program**

**Law Enforcement and
Protection**



Creating New Jobs



**Increasing EoDB and Business
Certainty**



**Regulation and Licensing
Simplification**



**Increasing Investment
Climate**

**Government already enacted several regulations as subsidiaries of Law No 11/2020, consist of 47 Government Regulation (PP) and 4 Presidential Decree (Perpres)*

INDONESIA INVESTMENT AUTHORITY (INA) AS INDONESIA'S SWF

Strong Institutions With Good Governance to earn Global Investors' trust

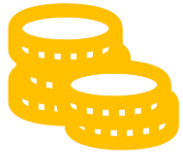
Government Investment Objectives (Pasal 154 ayat 2 UU Cipta Kerja)



Receive economic benefits, social benefits, and / or other benefits that are predetermined



Contribute to the development of the national economy in general and state revenues in particular



Receiving benefits; and / or



Carrying out public benefits (creating jobs).

Indonesia Investment Authority a form of implementing government investment

Characteristics and Advantages

Focus in Capital
Maximation

Governance
Following
International
Business Practices

Economic Goals
Balanced with
Commercial
Benefits

A Strong Legal
Foundation for
Certainty

Flexibility in
Investing

Strong support
from the State

Able to capture
Investors
Appetite

Strong
Independence and
Professional
Management

INA's Target



Optimization of Central
Government Investment
Value



Increase Foreign Direct
Investment (FDI)



Encouraging the
improvement of the
investment climate

*In "Pasal 154 ayat (3) UU Cipta Kerja", Central Government investment is carried out by the Minister of Finance and Investment Institutions (IIA)



KEMENTERIAN KEUANGAN
REPUBLIK INDONESIA



2021 STATE BUDGET REALIZATION

THE STATE BUDGET HAS BEEN CONTINUING THE GOOD PERFORMANCE

Until May 2021, State Expenditure and Investment Financing have grown significantly and positively affected to people



State Expenditure IDR945.7T (Grew by 12.1%)

- **Line Ministries' Expenditure Grew by 33.1%**

Capital expenditure (basic infrastructure projects, equipment), material expenditure (vaccination, medical claim, productive aid measures), disbursement of various protection programs)

- **Non-Line Ministries' Expenditure Grew by 7.82%**

Pension benefits (including Religious Holiday Allowance for pensionaries), energy dan fertilizer subsidies, and pre-work cards.

- **Regional Transfer and Village Fund Grew by 2.8%**

Revenue sharing fund (DBH), non physical Special Allocation Fund (DAK), special autonomy fund for DIY grew positively.



Investment Financing Grew by 276.0%

Including Investment to LMAN to support National Strategic Projects, support for housing program, loan for regional PEN, International Development Cooperation Fund

The hard work of the state budget was supported by the performance of the Covid-19 handling and economic recovery programs

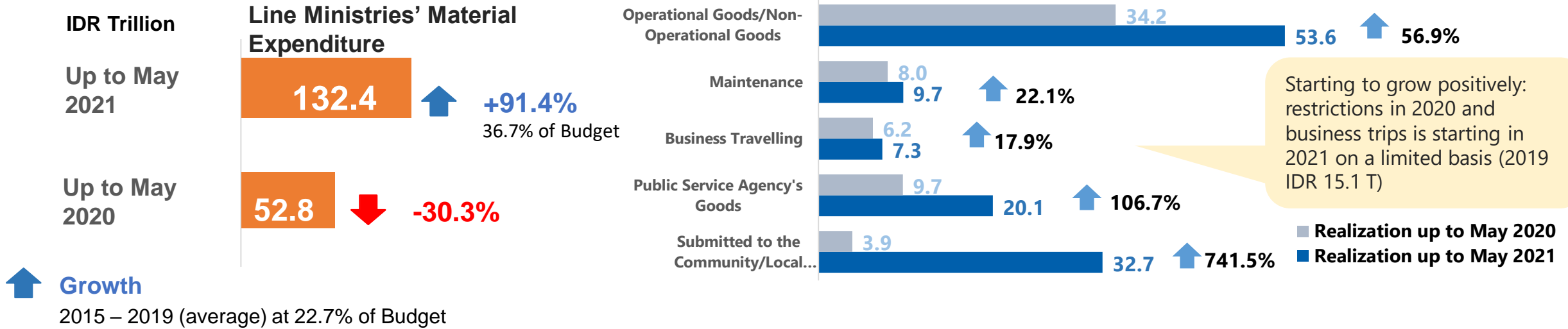
Realization of PEN as of June 18, 2021 reached IDR222.63 T (32.4% of ceiling)

THE REALIZATION OF LINE MINISTRIES' MATERIAL EXPENDITURE UP TO MAY GREW BY 91.4% YOY (2020:-30.3%)

Influenced by the acceleration of the 2021 PEN program as well as strict restrictions on activities in 2020 at the beginning of the pandemic



(IDR Trillion)



IDR Trillion	2020	2021	Change (%)
Ministry of Health	4,8	26,9	+458,8%
Ministry of Cooperative & SMEs	0,1	11,9	+8.844,4%
Ministry of Public Works and Housing Ministry	5,3	13,5	+154,8%
Ministry of Finance	4,3	13,5	+215,5%
CPO Fund	1,6	10,5	
Ministry of Religious Affairs	6,6	7,2	+9,0%

Benefits to the community up to end of May 2021:



Vaccine shots to People
Vaccine 1 (16.4 Million)
Vaccine 2 (10.6 Million) IDR8.14T
total vaccine dose 37.78 million



177.8 thousand Covid-19 patients
who get treatment costs IDR11.9 T



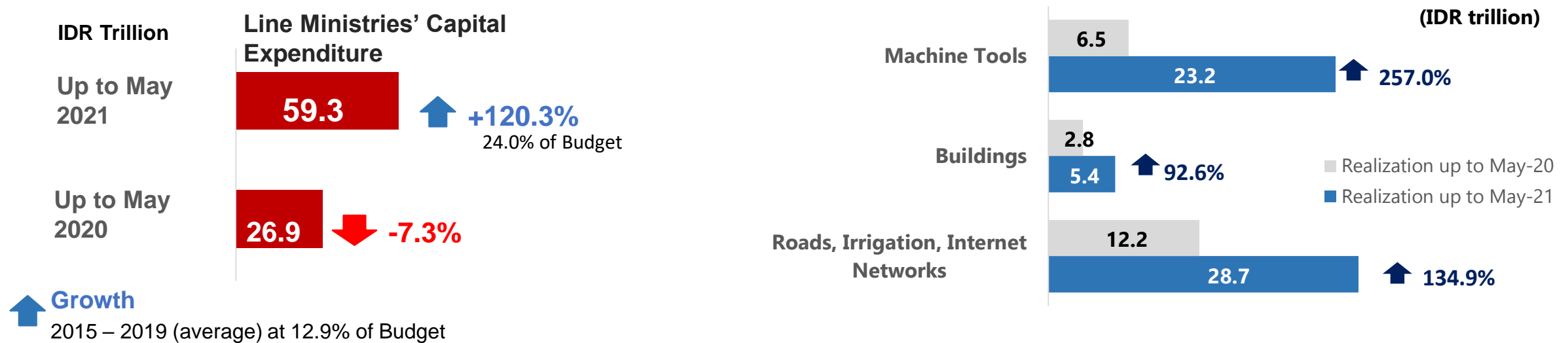
9.8 million Micro Business Actors receive assistance
IDR11.76 T



3.45 million private school students (MoRA) receive **School Operational Assistance IDR3.7 T**

REALIZATION OF CAPITAL EXPENDITURE GREW SIGNIFICANTLY BY 132.4% YOY

Primarily for the payment of advanced basic infrastructure projects in 2020 and connectivity infrastructure and equipment procurement



	2020	2021		
Ministry of Public Works and Housing Ministry	13.5	27.8	↑	+105.9%
Indonesia National Police	3.9	11.9	↑	+205.1%
Ministry of Defense	3.0	8.5	↑	+183.3%
Ministry of Transportation	2.5	3.8	↑	+52.0%

Benefits to the community up to end of May 2021:



Dam construction progress reached **59.57%** of the target of **10 new dams** and **43 follow-ups** valued at **IDR 8.70 T**



Railroad progress reached **76.22%** from the target **236.66 km'sp**, valued at **IDR 1.15T**



Irrigation network Progress reached **30.76%** of the construction target of **600 km**
Progress **34.86%** of the target
Rehabilitation of **3,900 km**
a total of **IDR 1.89 T**



Road Construction Progress reached **66.78 km**
Road Preservation reached **22.5 thousand km** valued at **IDR 9.58 T**



Bridge construction reached **6,107.95 m**,
Bridge Preservation reached **177.4 thousand km** valued at **IDR 1.61 T**

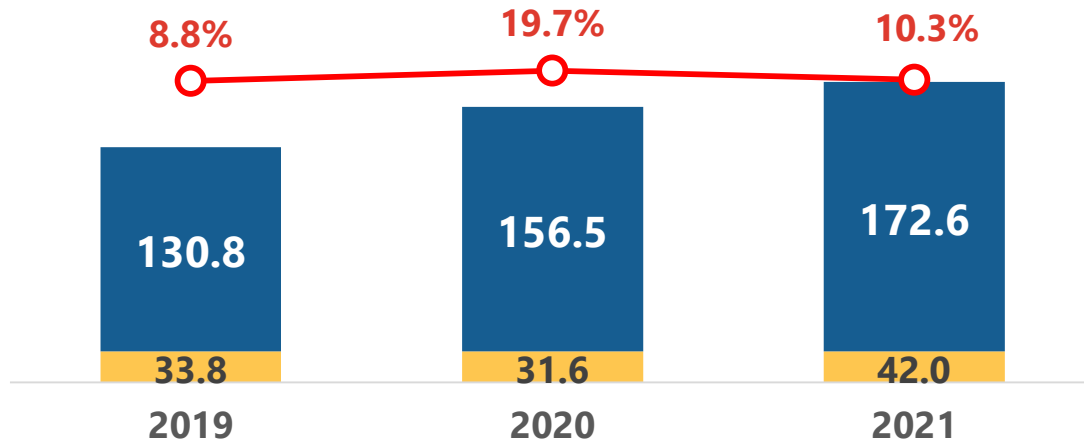
THE REALIZATION OF THE SOCIAL PROTECTION BUDGET UNTIL MAY 2021 INCREASES

mainly supported by the realization of micro-enterprise assistance and energy subsidies



Social Protection Realization up to May 31

■ % of Budget
 ■ Social Protection (Trillion IDR)
 —○— Growth (%)



Social Protection Fund Realization up to May 2021 mainly driven by:

Line/Ministries Spending Performance:

- Distribution of Family Hope Program, Cash Assistance, basic food stuffs/Sembako Card Under Ministry of Social, **IDR 42.4 T**
- Indonesia Smart Program/PIP and Indonesia Smart card for collage students under Ministry of Education and Religious Affairs, **IDR 10.5 T**
- Health insurance Contribution Assistance of PBI JKN under Ministry of Health, **IDR 19.3 T**
- Micro Business Assistance under Ministry of Cooperative & SMEs, **IDR 11.8 T**

Non Line/Ministries Spending:

- Subsidy realization, **IDR 56.0 T**
- Pre-Employment Card **IDR 9.7 T**

Transfer to Region and Village Fund :

- Realization of Cash Assistance in Village, **IDR 3.2 T**
- Village Fund Realization, **IDR 15.8 T**

Benefit to Community:



Providing **Basic Food Stuff/Sembako** to **15.93 million family beneficiaries (KPM)** valued at **IDR 17.3T**



Providing **Health Insurance Contribution Assistance** for **96.5 million poor people** who participate in PBI JKN **IDR 19.3 T**



Distribution of **Cash Assistance** **10.46 KPM** worth **IDR 11.1T**



Providing **Family Hope Program** Assistance to **9.7 million family beneficiaries** worth **IDR 13.96T**



Distribution of **Electricity Subsidy** to **37.45 customers** and **LPG Subsidy** for **2,420.5 million kg**



Distribution of **Employment Program** **2.8 million KPM** valued at **IDR 9.7 T**



Indonesia Smart Program/PIP distribution to **10.02 million students** and **930 thousand collage students**



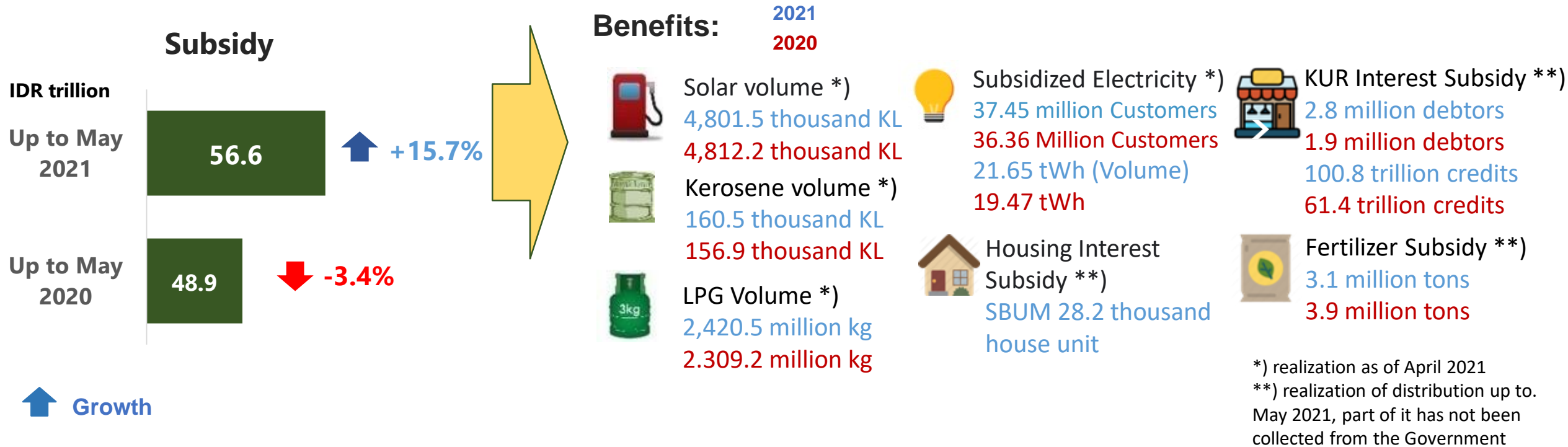
KUR's interest Subsidy **2.8 million Debtors** **100.8 trillion Credits**



THE REALIZATION OF SUBSIDY AND MISCELLANEOUS EXPENDITURE ARE INCREASING



Primarily for the distribution of various types of subsidies and pre-employment programs



↑ Growth

TRANSFER TO REGION AND VILLAGE FUND (TKDD) REALIZATION 2020-2021 AS 31 MAY

TKDD 2021 disbursement is slightly lower than 2020



TKDD Realization and percentage to APBN				
2020: Perpres 72/2020 2021: Perpres 113/2020		2020	2021	Growth
TKDD	Rp	306.60 T	298.02 T	(2.8)
		40.1 %	37.5 %	
Revenue Sharing (DBH)	Rp	31.46 T	36.90 T	17.3
		36.4 %	36.2 %	
General Allocation Fund (DAU)	Rp	190.87 T	168.01 T	(12.0)
		49.7 %	43.0 %	
Physical Special Allocation Fund (DAK Fisik)	Rp	2.87 T	2.21 T	(23.1)
		5.3 %	3.4 %	
Non-Physical Special Allocation Fund (DAK NF)	Rp	49.13 T	61.10 T	24.4
		38.2 %	46.6 %	
Regional Incentive Fund (DID)	Rp	3.21 T	1.41 T	(56.1)
		- %	10.5 %	
Special Autonomy & Privilege Fund for Yogyakarta	Rp	0.20 T	6.04 T	2,952
		0.9 %	28.4 %	
Village Fund	Rp	28.87 T	22.34 T	(22.6)
		40.6 %	31.0 %	

HIGHLIGHT

- TKDD disbursement as May 31, 2021 amounting to 37.5% of the total allocation which is slightly lower than FY 2020 by 40.1%.
- The realization of Otsus and DIY increased since the local government submitted proposal which had met the requirements earlier than last year
- The decline in DID disbursements due to the process of the regional government to meet the disbursement requirements.
- The disbursement of DBH was high due to the settlement of Underpayments in the previous year.
- The decline in Village Funds is due to the relaxation of Village Fund distribution in 2020.

THE CHALLENGES OF FISCAL DECENTRALIZATION



1

The development has not been very encouraging. Some areas are performing very high, but many areas are still lagging behind.

2

TKDD is not fully optimized since the budget is mostly for personnel expenditure

3

Personel expenditure is too high which should be allocated for more productive purposes

4

Infrastructure spending is still low, so it is not sufficient to improve public services and economic growth.

5

APBD expenditures are not focused and less effective in fixing services and development in the regions since there are too many types of programs and activities

6

The realization of spending is slow, the idle funds of the regional government in banking are relatively high

7

Regions have not optimize alternative financing to fund regional development

8

Accountability in the management of the APBD has improved from an administrative aspect, however the material aspects still need to be strengthened.

9

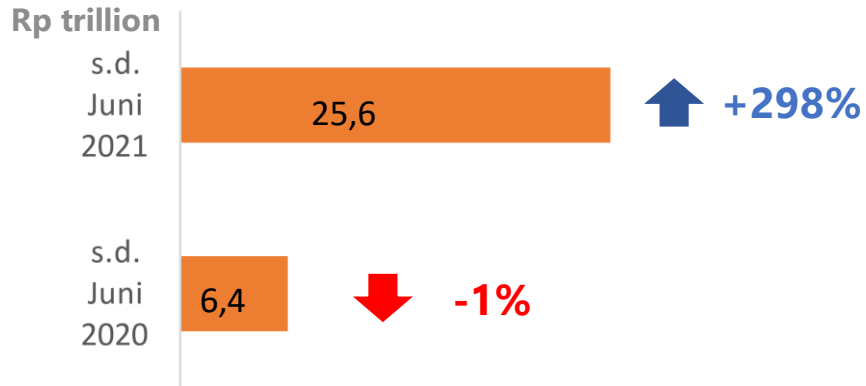
Synergy and harmonization of central and local budget is compulsory

INVESTMENT FINANCING SUPPORTS NATIONAL ECONOMIC RECOVERY

As June 2021, Government investment benefited directly to the people



Government Investment



↑ Growth compare to previous year

Realization until June 2021

The main consideration of investment are the performance of the recipient and the urgency fund needed

BLU LMAN	5,6 T
BLU PPDPP	8 T
REGIONAL PEN	10 T
BLU LDKPI	2 T

BENEFIT TO THE PEOPLE



land acquisition funding has been carried out through LMAN for 94 National Strategic Projects (PSN) amounting to Rp 78.17 T for **159,839 plots covering an area of 182,974,804 m2** for the allocation of funds for land acquisition funding for the 2016-2021 PSN



The total realization of the Housing Financing Liquidity Facility (FLPP) for the 2010-2021 was Rp.64.12 trillion for financing **843,231 house units**.



PEN loans to the regions to finance various sectors, including **Roads & Bridges, Natural Resources, Education, Health, Public Roads, and others**.



Providing grants through LDKPI for **Covid-19 handling as well as disasters management, and increasing cooperation with partner countries** in the context of achieving Indonesia's national goals

PEN PROGRAM AS THE KEY INSTRUMENT FOR HEALTH HANDLING & ECONOMIC RECOVERY

Realization of PEN 2021 as of June 18 Reached IDR226.63 T or 32.4% of Budget of Rp699.43 T



HEALTH

Budget
IDR172.84 T

Realization
IDR39.55 T (22,9%)

Benefits as of June 18

- Diagnostics for Testing and Tracing
- Therapeutic for treatment costs for 206.27 thousand patients, health workers incentives, death benefits, as well as medicines and personal protective equipment (PPE/APD)
- Procurement of 37.78 million doses of vaccine
- JKN Contribution Assistance for 19.15 million people
- Health tax incentives including VAT and Vaccine Duties

SOCIAL PROTECTION

Budget **IDR148.27 T**

Realization **IDR64.91 T (43.8%)**

Benefits as of June 18

- PKH for 9.9 million beneficiaries
- Basic Food Card for 15.93 million beneficiaries
- Cash Social Assistance for 10 million beneficiaries
- Direct Village Cash Assistance for 4.81 M beneficiaries
- Pre-Employment Card for 2.82 Million People
- Internet Quota Assistance for 27.67 million participants and students

SUPPORT OF MSMEs AND CORPORATIONS

Budget **IDR193.74 T**

Realization **IDR48.05 T (24.8%)**

Benefits as of June 18

- Government Assistance for Micro Enterprises (BPUM) 9.8 million businesses
- Guarantee Service Fee (IJP) for MSMEs for KMK accumulation is guaranteed to be IDR 15.25 T
- Corporate IJP for accumulated Working Capital Loans guaranteed Rp792.6 M
- Placement of Funds in banks with total credit disbursement since 2020 has reached Rp380.05 T to 5.17 million debtors

PRIORITY PROGRAM

Budget **IDR127.85 T**

Realization **IDR38.10 T (29.8%)**

Benefits as of June 18

- Labor-intensive Line Ministries for 693.1 thousand Tourism workers e.g. for National Tourism Strategic Areas, Ecotourism, and HR training
- Food Security e.g. food estate and irrigation program
- ICT e.g. of ICT infrastructure and public broadcasting
- Industrial Estate e.g. for the development of strategic areas and investment programs

BUSINESS INCENTIVE

Budget **IDR56.73 T**

Realization **IDR36.02 T (63.5%)**

Benefits as of June 18

- Income Tax 21 borne for 90,317 Employers
- MSME Final Income Tax borne for 127,549 MSMEs
- Import Income Tax 22 Exemption for 15,709 taxpayers
- Income Tax 25 Installment Reduction for 69,087 taxpayers
- Preliminary Return of Value Added Tax for 819 taxpayers
- Lower Corporate Income Tax Rate benefits for all taxpayers
- Property-borne Value Added Tax for 519 Sellers
- Sales Tax on Luxury Car Goods for 5 Sellers

THE STATE EXPENDITURE AND INVESTMENT FULLFILLED BY REVENUE AND FINANCING

The performance of state budget expenditure and investment keep accelerated, especially for Covid-19 handling and the economic recovery, supported by tax revenue, non-tax revenue and financing



EXPENDITURE

Budget: IDR2,750.0T
Realization: IDR945.7T (34.4%)

▲12.1% YoY

CG Spending: IDR647.6T ▲(20.5%)
Regional Transfer: IDR298.0T ▼(2.8%)

INVESTMENT

Budget: IDR187.1T
Realization: IDR22.6T (12.2%)

▲276% YoY

Budget Deficit and Primary Balance
Deficit: IDR219.3T (1.32% to GDP)
Primary Balance: IDR67.6T



FINANCING

Budget: IDR1,006.4T
Realization: IDR309.3T (30.7%)



TAX REVENUE

Budget: IDR1,229.6T
Realization: IDR459.6T (37.4%)

▲3.4% YoY



CUSTOMS and EXCISE

Budget: IDR215.0T
Realization: IDR99.3T (46.2%)

▲21.6% YoY



NON-TAX REVENUE

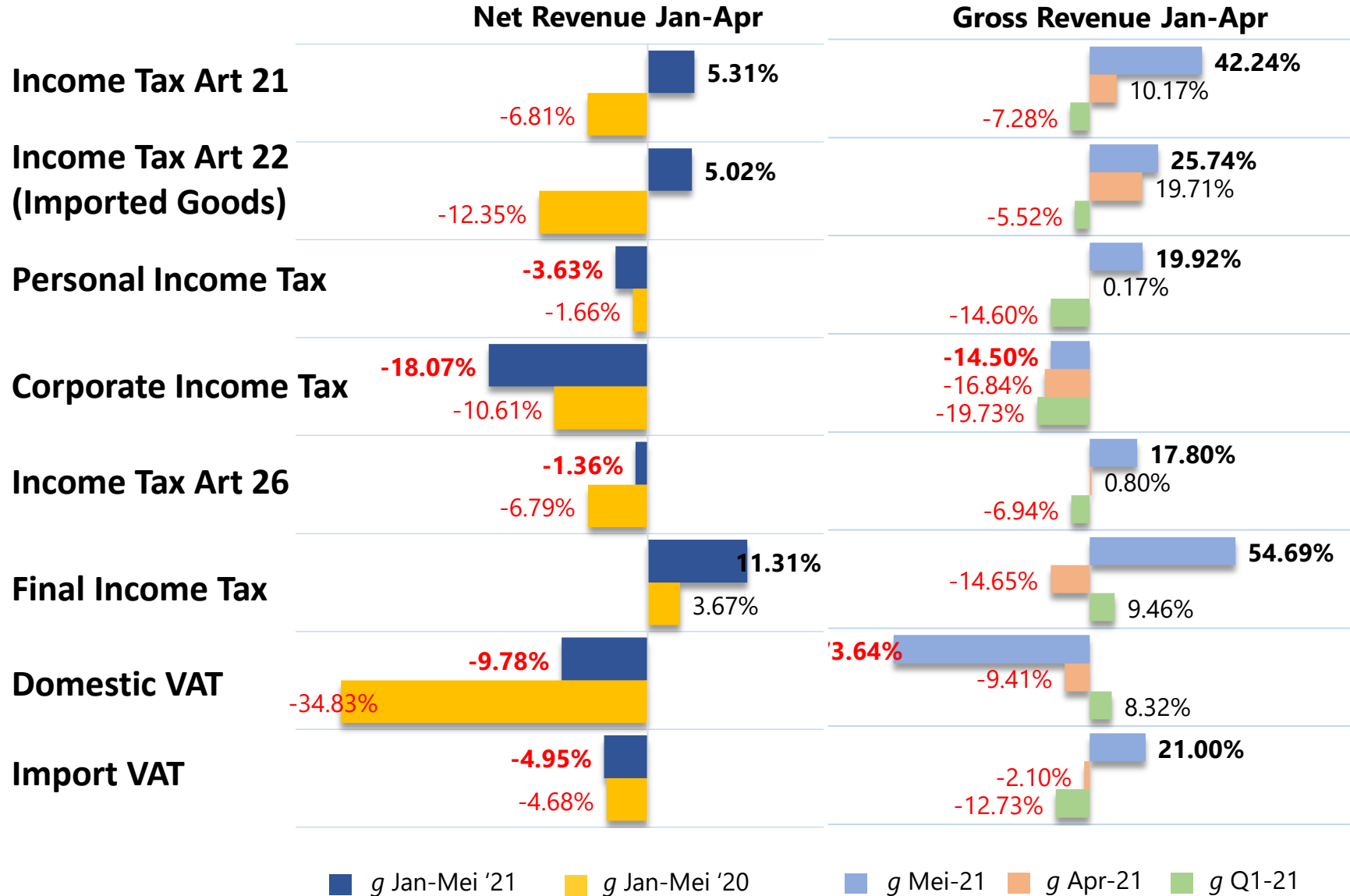
Budget: IDR229.1T
Realization: IDR167.6T (56.2%)

▲22.4% YoY



Revenue From The Majority of Taxes Keeps Improving

Supported by economic recovery and IED Festive in May

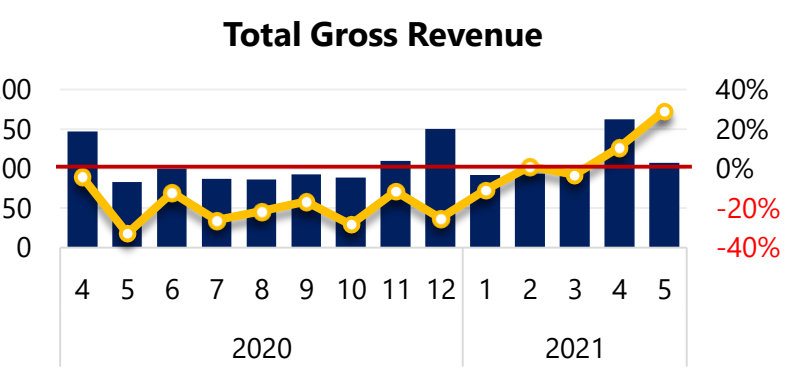
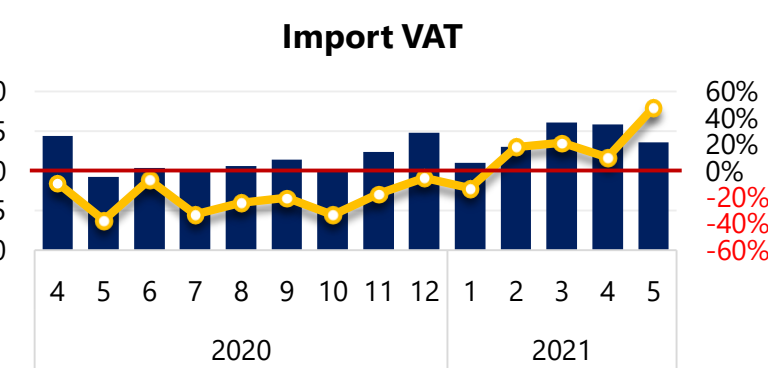
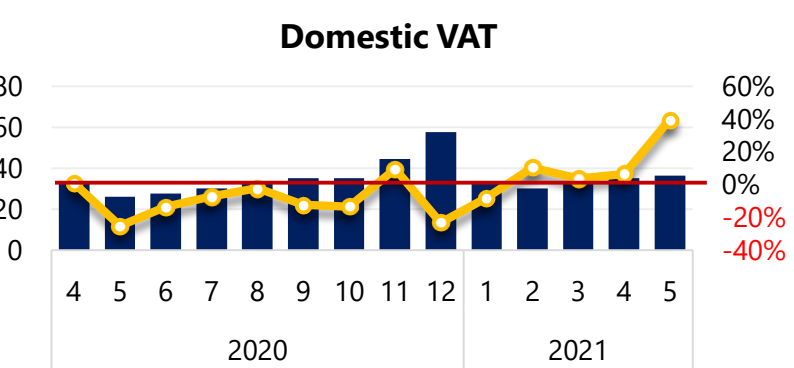
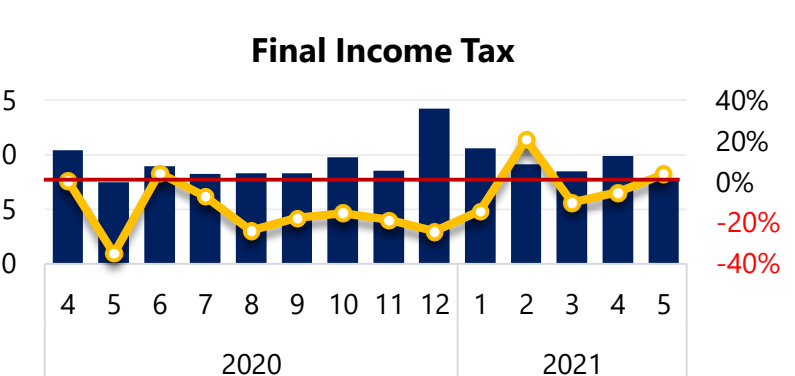
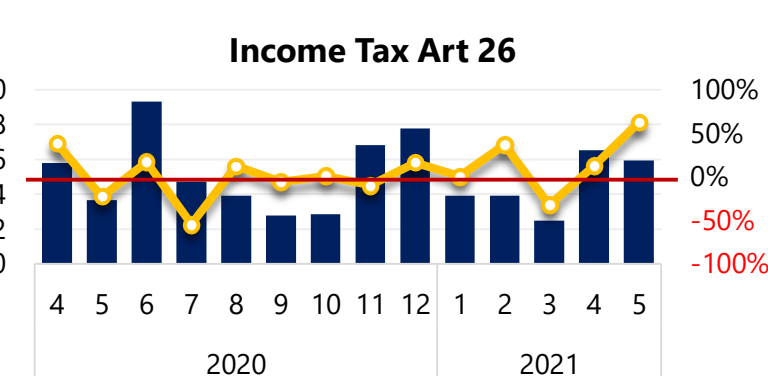
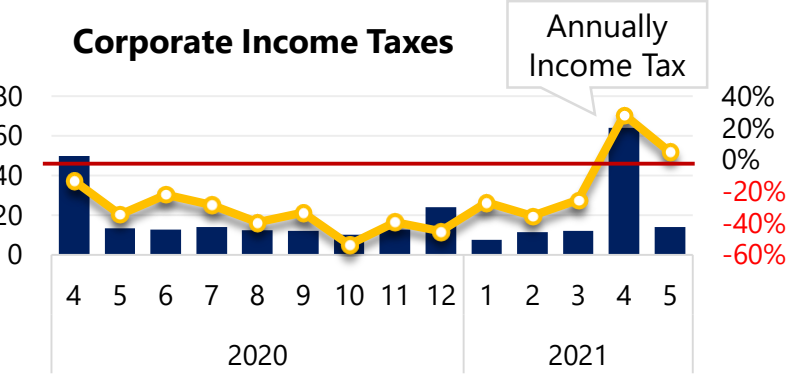
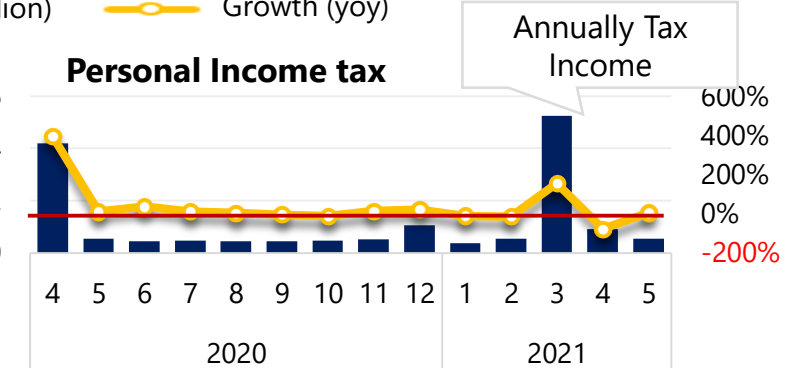
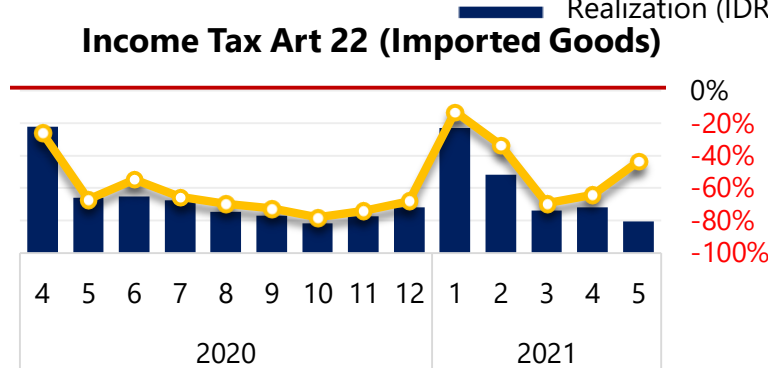
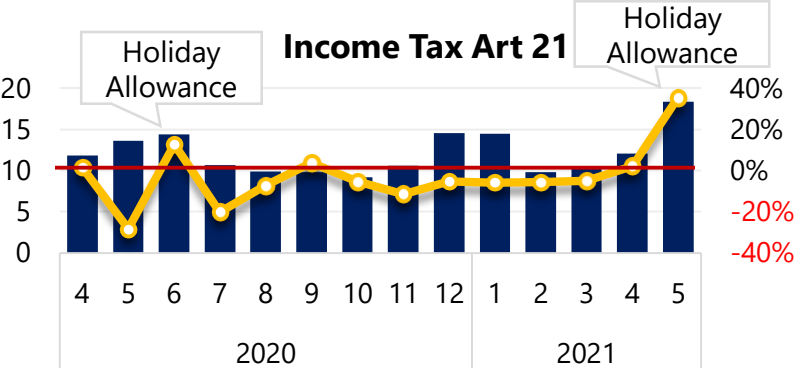


The recovering economic activities are reflected in the improving tax receipt

- Income Tax art. 21 improved in line with the labor absorption and religious holiday allowance payment (THR)
- Income Tax art. 22 on imported goods contracted, driven by the exemption as part of fiscal stimulus
- Income Tax art. 26 grew strongly due to an increase in dividend payment to foreign investors, indicating that the corporations was still able to earn profit amidst the pandemic
- Domestic and import VAT increased, in line with the improvement in production activities and household consumption

GROSS TAX GROWTH CONTINUES TO INCREASE

Along with the recovery of economic activity and the level of public consumption



REVENUE FROM MOST SECTORS CONTINUE TO IMPROVE

The increase was contributed by the ongoing economic recovery



Manufacturing

Trade

Financial Services & Insurance

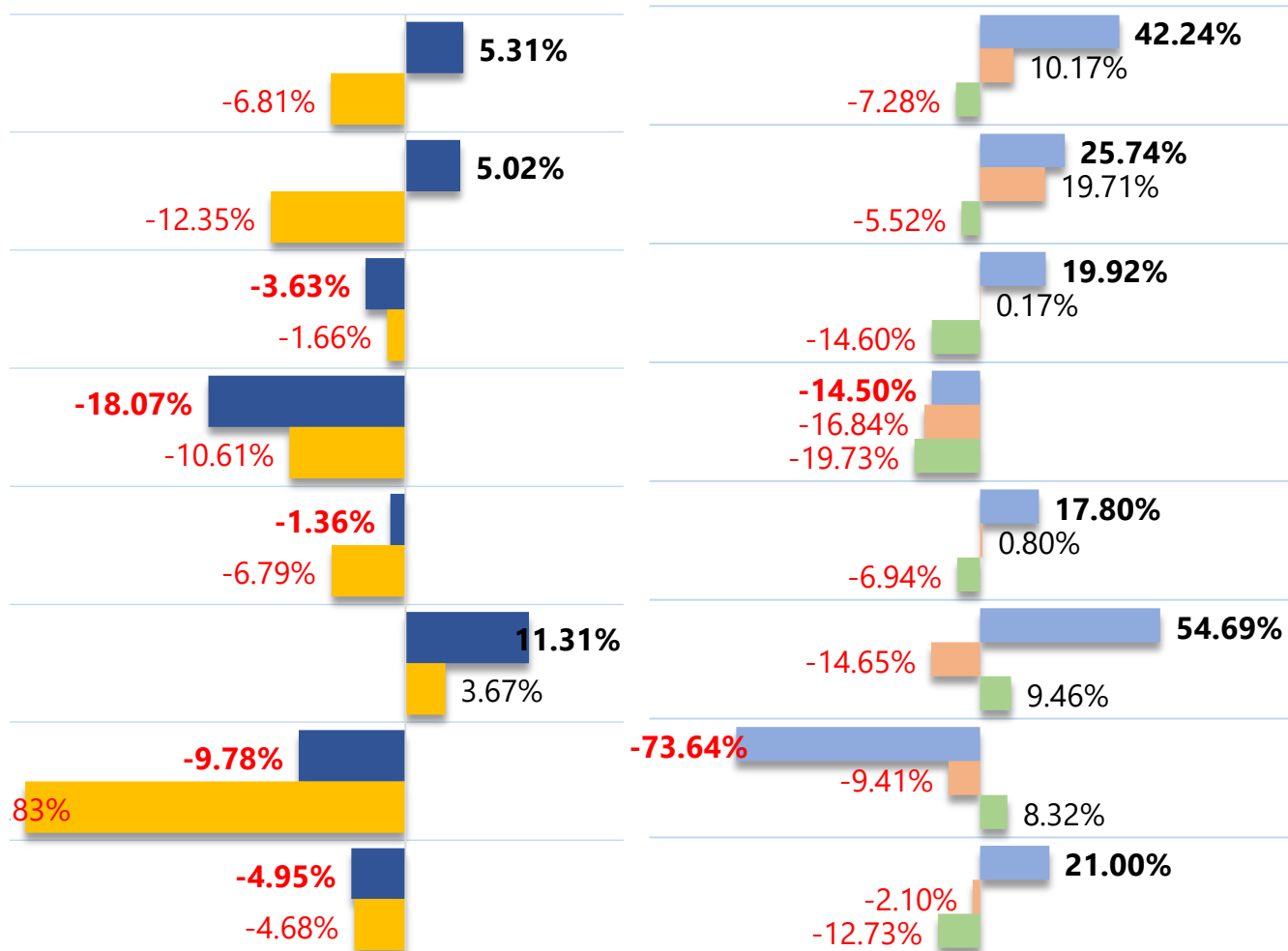
Construction & Real Estate

Transportation & Warehousing

Mining

Corporate Services

Information & Communication



■ g Jan-Mei '21

■ g Jan-Mei '20

■ g Mei-21

■ g Apr-21

■ g Q1-21

- The economic recovery phase is also reflected in sectoral tax receipts in line with increasing business expectation (PMI) as well with consumer expectations (CPI).
- In May, the improvement in sectoral performance was mainly supported by THR payments, dividend payments, increased imports, and improved domestic demand.
- Domestic VAT of all sectors grew positively compared to May 2020 and April 2021, indicating the sustainable recovery of economy and public consumption

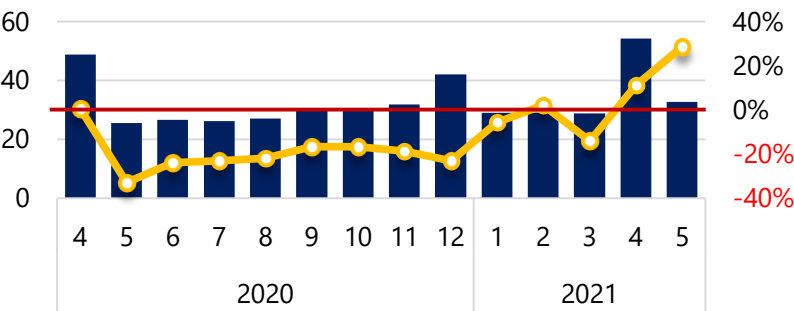
Note: Sectoral Revenues do not include Property Tax, Tax borne by Govt (DTP), and Oil & Gas Income Tax

GROSS TAX GROWTH OF ALL MAIN SECTORS INCREASED

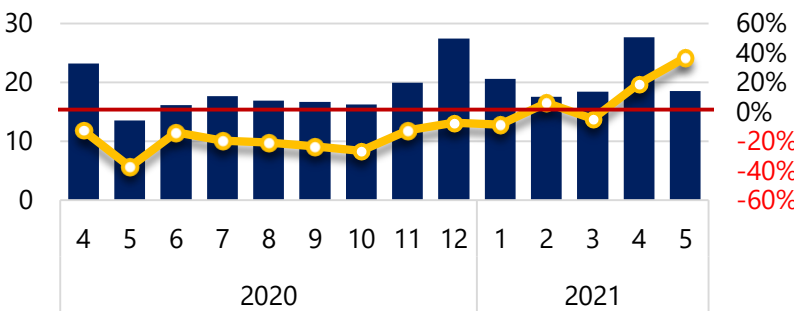
Along with the recovery of economic activity and the level of public consumption



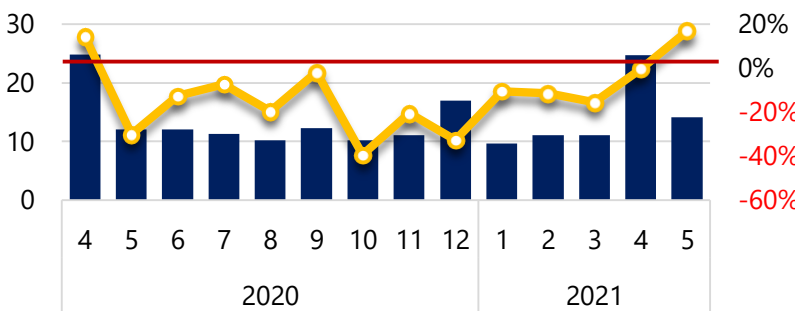
Manufacturing 33%



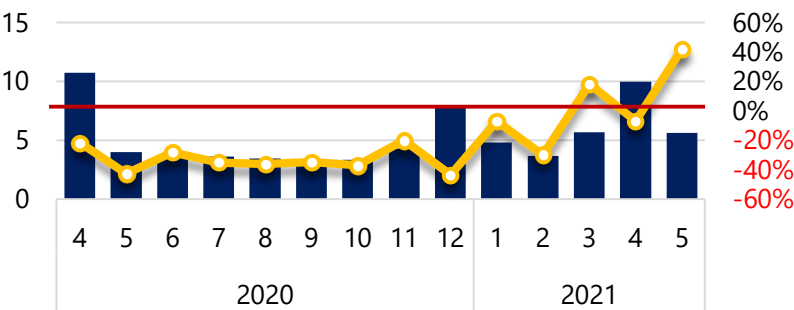
Trade (19%)



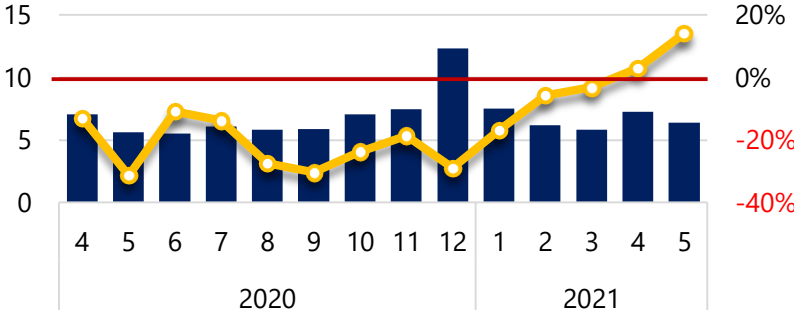
Financial Services and Insurance (13%)



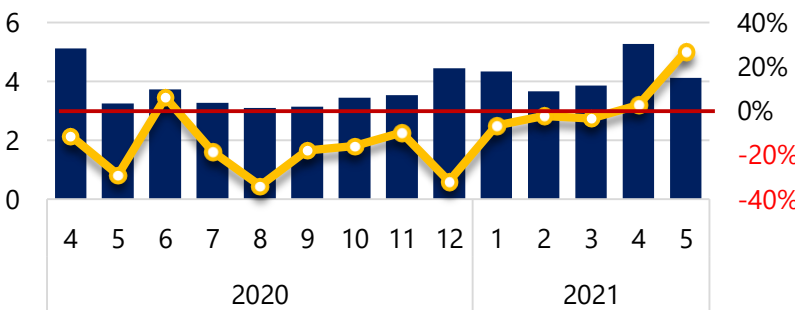
Mining (6%)



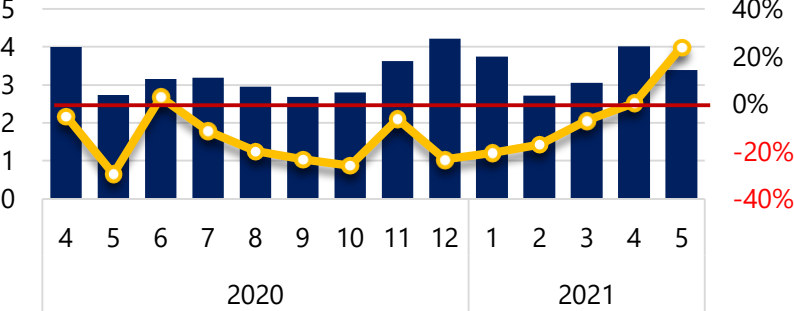
Construction and Real Estate (6%)



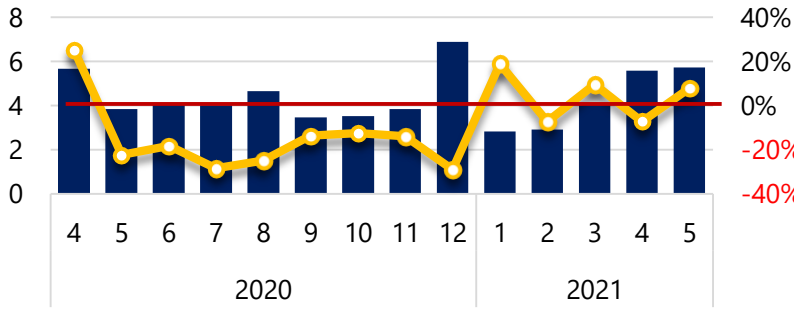
Transportation and Warehouse (4%)



Company Services (3%)



Information and Communication (4%)



- Realization (IDR Trillion)
- Growth (yoy)
- (%) Contribution

TAX INCENTIVES UTILIZATION CONTINUE IN 2021

Until May 17th, around 300 thousand taxpayers has benefited from tax incentives



Tax incentives utilization has reached IDR 29.26 T

Incentive to improve people purchasing power



Income Tax
Article 21

90,317 Employers **IDR 1.32 T**

Incentives to support business liquidity and continuity



Income Tax
Exemption on
Import

15,709 Taxpayers **IDR 10.09 T**



Reduction on
Tax Installment

69,087 Taxpayers **IDR 15.55 T**



VAT Refund

819 Taxpayers **IDR 1.39 T**

Corporate tax tariff reduction incentive



Income Tax
Article 25

All of Corporate
Taxpayers **IDR 6.84 T**

Incentive to support the MSMEs



Final Income
Tax for MSMEs

127,549 MSMEs **IDR 0.32 T**

1,595 taxpayers has purchased property and has benefited from VAT incentives on property

Improving people purchasing power and supporting sector with high output multiplier effect



VAT **2,711** Buyers
IDR 79.99 Billion
519 Sellers

Housing < 1 B 66.33 B

Housing 1 – 5 B 13.66 B

Incentives on Luxury Goods Tax for Car Sales utilization has reached IDR 203.81 Billion

Improving the utilization of automotive sector capacity and act as consumption driver instrument



Luxury
Goods Tax **5** Sellers
IDR 428.67 Billion

AS OF MAY 2021, CUSTOM & EXCISE REVENUE REALIZATION GREW SIGNIFICANTLY

Driven by positive performance of all revenue components



**Custom & Excise revenue realization reached Rp99.3 Trillion
(46.2% of the target, grew by 21.6% yoy)**



Import Duty grew by 3.6% yoy

Affected by increasing domestic import trend, particularly in manufacturing industry and trade sectors.



Excises grew by 11.9% yoy

Driven by tobacco excise that is affected by 2020's credit payment of excise ribbon paid in 2021 (carryover) and tariff adjustment policy of excise ribbon.



Export Duty grew by 844.6% yoy

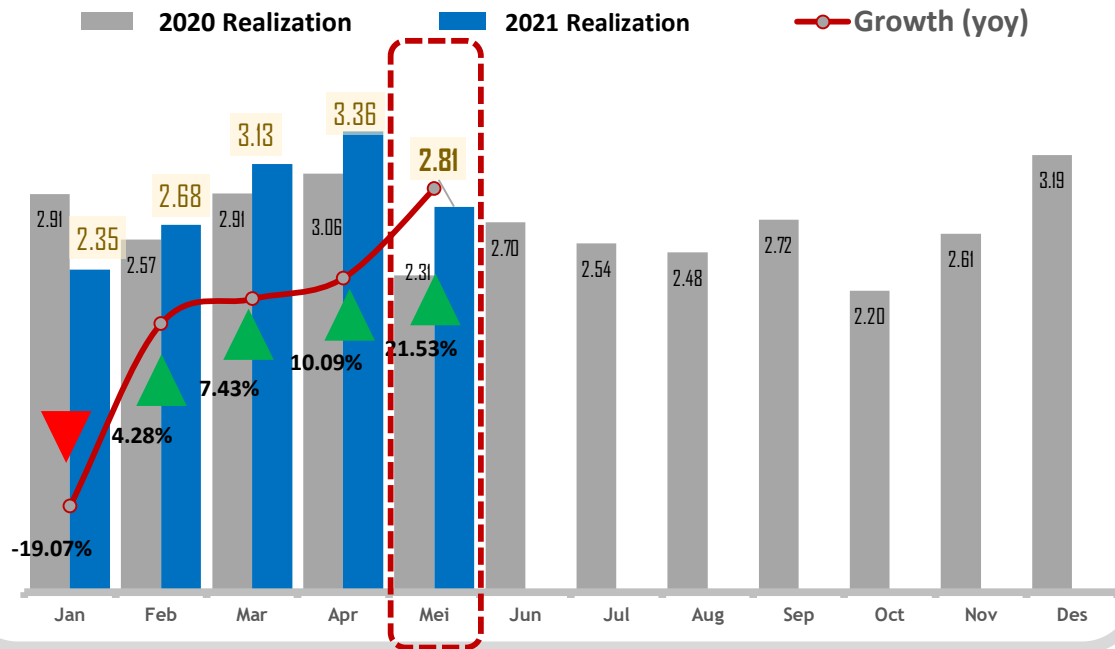
Driven by commodities of copper and high price of palm products.

IMPORT AND EXPORT DUTY GREW POSITIVELY (YOY/MTM)

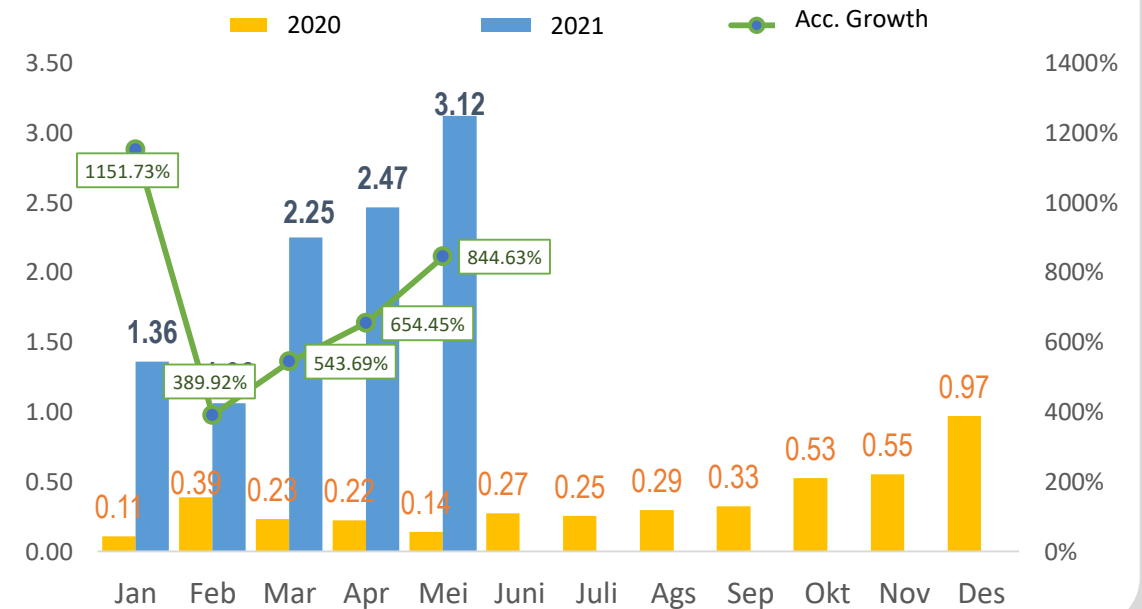
Import duty keeps increasing since the beginning of the year; export duty performance is driven by palm products and copper



IMPORT DUTY'S MONTHLY REALIZATION (TRILLION RP)



EXPORT DUTY'S MONTHLY REALIZATION (TRILLION RP)



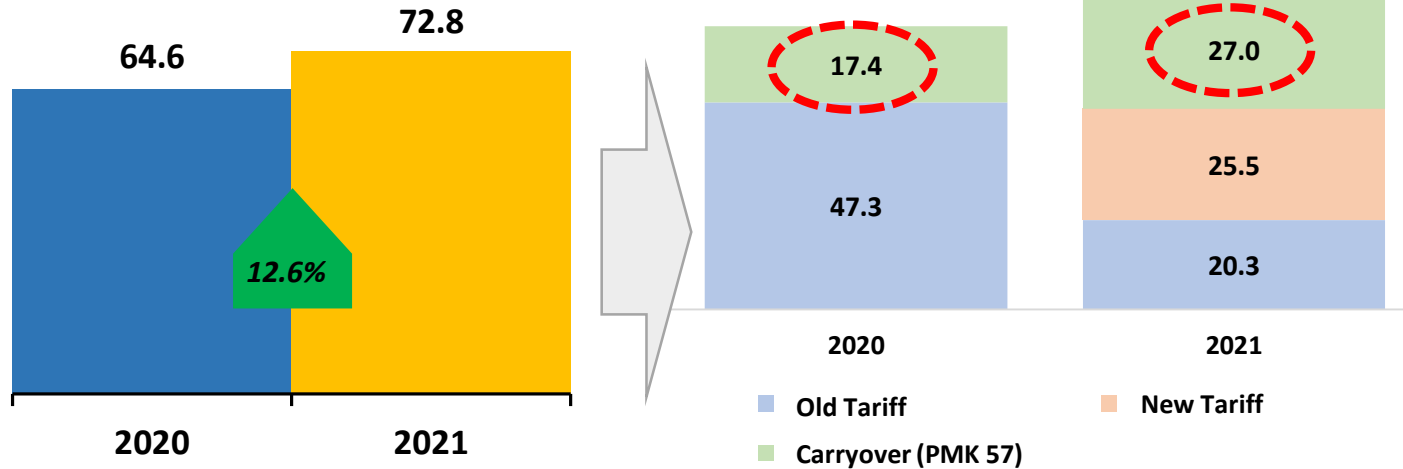
- Import Duty as of May 2021 increased by 3.6% compared to May 2020.
- Export Duty as of April 2021 increased significantly by 844.6% (yoy), driven by commodities of copper and palm products.
 - Export duty of copper increased by 318.5% (yoy) → affected by export volume increase and copper price.
 - Palm products jumped by 2,208.2% (yoy), driven by CPO's export tariff increase in 2021 and export tariff imposed on CPO's derivatives (high CPO reference price effect).
 - Export duty on other commodities (Bauxite, Woods, dan Cacao) decreased.

TOBACCO EXCISE REVENUE UNTIL THE END OF MAY CONTINUES TO GROW



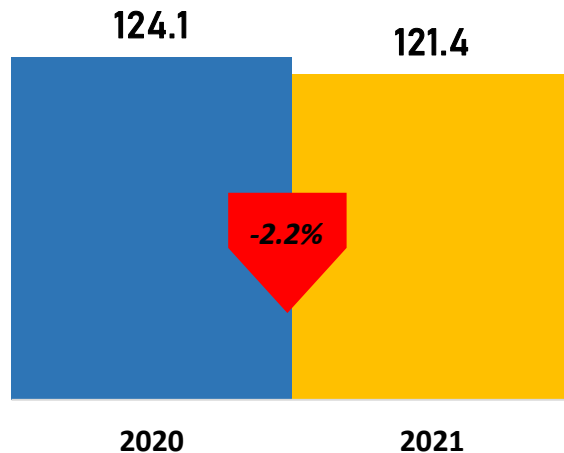
Even though the production of tobacco products is contracting

Tobacco Excise Revenue (Trillion Rp)



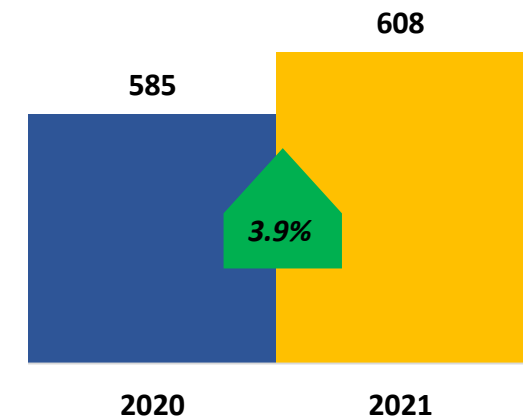
- Tobacco excise as of May 2021 grew by 12.6% (yoy).
- The increase includes carryover of excise ribbon payment from 2020 amounting to Rp27 Trillion.
- The revenue without carryover is Rp45.8 T, in which Rp20.3 T came from old tariff realization.

Production of Tobacco Products (CK-1) (Billion of Sticks)



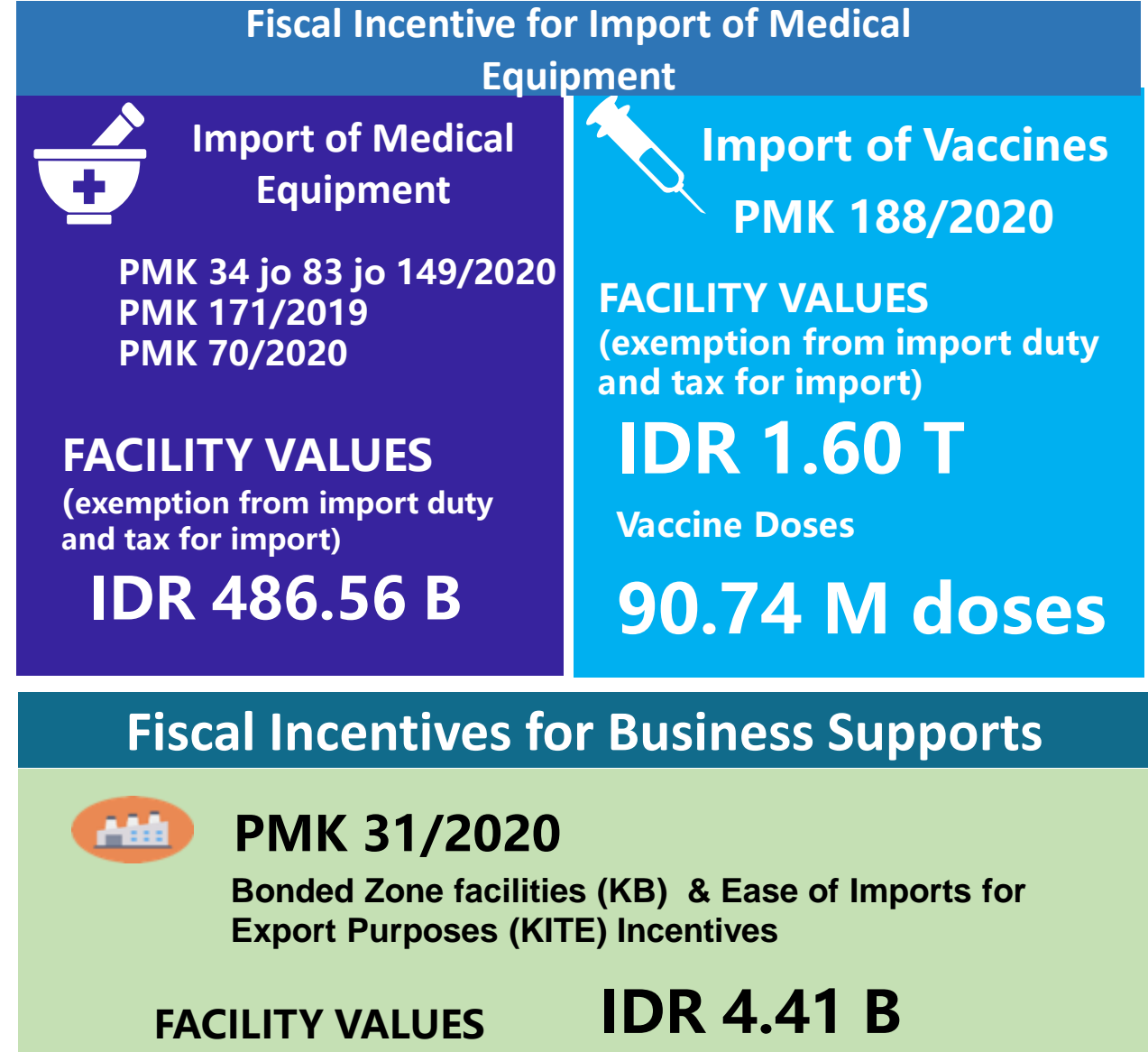
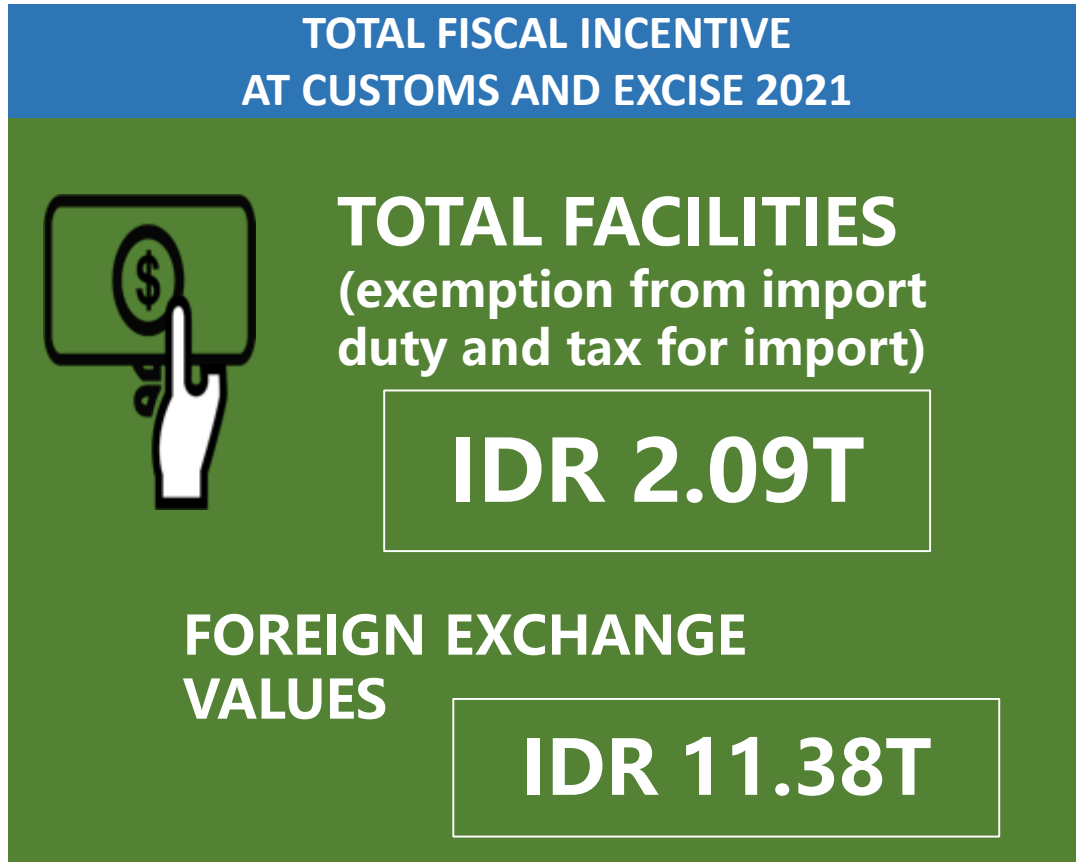
- Production of Tobacco products (CK-1) as of May 2021 contracted by 2.2% (yoy)
- Production improved since April (-6.6%), affected by companies that did not have a production in May 2020.
- Weighted Average Tariff increased by 3.9% (ytd) with normative tariff increase by 12.5% → pressure on tobacco production Tier-1 (higher tariff structure)

Weighted Average Tariff Feb-May (IDR/stick)



STATE BUDGET EFFORTS TO RESTORE NATIONAL HEALTH THROUGH CUSTOMS INCENTIVES

Up to the 2nd week of May, import duties and import tax exemptions on vaccines and medical equipment reach at IDR 1.81 trillion



PERFORMANCE OF NON-TAX REVENUE UNTIL MAY 2021 IS IMPROVING

Supported by an increase in Non-Oil and Gas Natural Resources Revenue, Other Non-Tax Revenue and BLU Revenue



Non-Tax Revenue of IDR 167.6 T (56.2% of the APBN target)



Non-Oil and Gas Natural Resource Revenue grew 48.4%

- An increase in commodity prices → coal, gold, silver, copper, tin and nickel prices
- Supported by the increase in the forestry and geothermal sectors increased timber production, use of forest area, payment of PNPB PKH receivables, as well as increased revenues from geothermal exploitation



Other non-tax revenue grew 37.3%

- Increase in Sales of Coal Mining Products and Line Ministries of Non-Tax Revenue services (radio frequency spectrum revenue, agrarian services, Office of Religious Affairs, and Police)



Public Service Agency revenue grows 126.8%

- Increase in revenue from palm oil fund management, education services, and telecommunications services

The potential increase in Non-Tax Revenue

from Natural Resources Revenue is indicated by the upward trend in the average price of crude oil and commodity prices which have increased since the beginning of 2021.

- ICP realization for the last 5 months (Dec 2020-April 2021) was USD57.35 per barrel (Budget: USD45 per barrel).
- The average Reference coal price/HBA (Jan-May 2021) is USD84.90/ton.

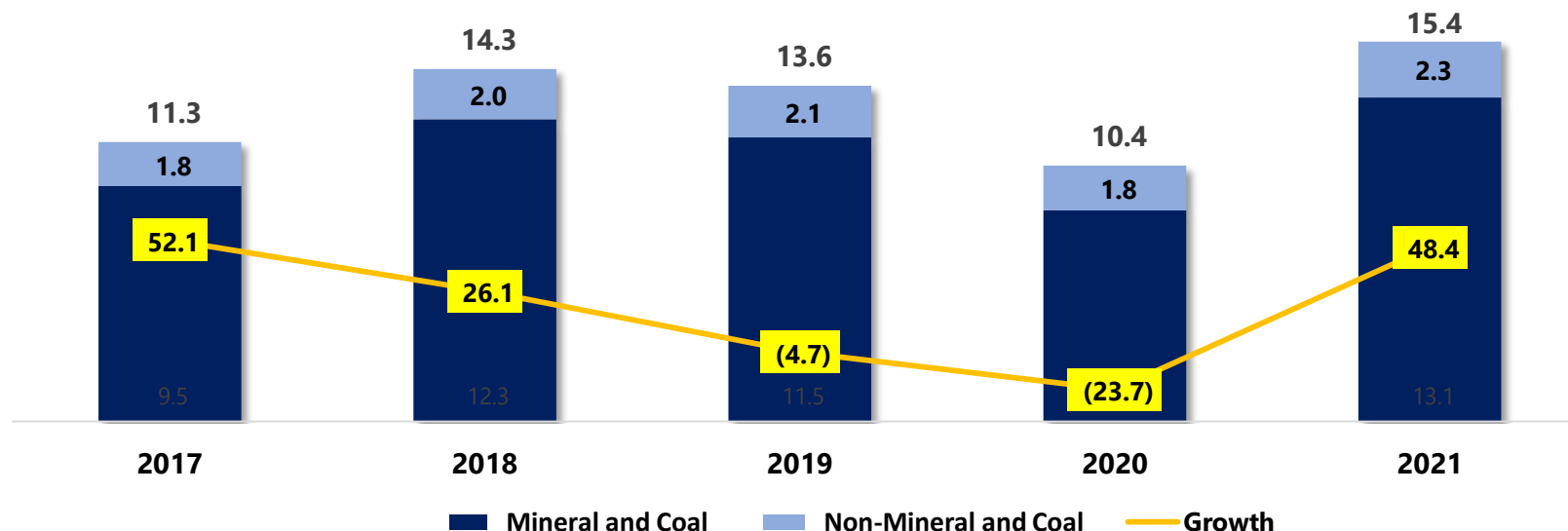
REALIZATION OF NON-OIL AND GAS NATURAL RESOURCES REVENUE INCREASED

Driven by the increase in Reference Coal Prices (HBA) and commodity prices

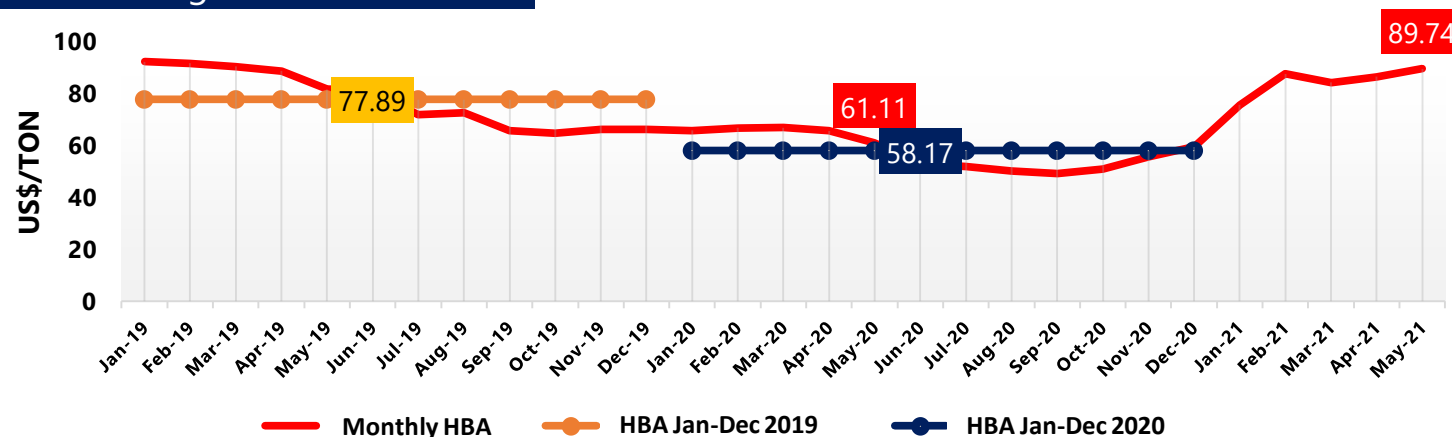


Realization of Non-Tax Revenue in Non-Oil and Gas as of Mei 31

(Trillion Rupiah)



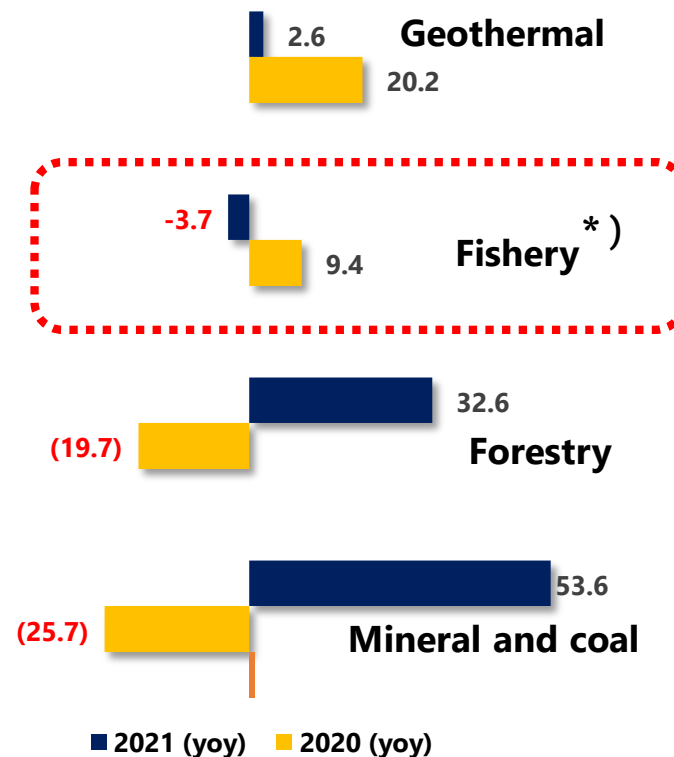
Perkembangan HBA 2019-2021



Rata-rata HBA Jan-Mei 2020: US\$65,36/ton

Rata-rata HBA Jan-Mei 2021: US\$84,90/ton

Non-Oil and Gas Natural Resources Growth by Sector



Note:

The Fisheries Sector fell by 3.7% due to a decrease in the number of vessels applying for permits, both for Fishery Concession Fees (PPP) and Fishery Product Fees (PHP). Number of ships applying for permits from January to May 2021 total 2,722 ships (2020: 2,782 ships)

THE BUDGET FINANCING ALSO SUPPORTS ECONOMIC RECOVERY

Investment financing has been realized well, supported by the completion of the administrative process and the preparation of regulations



Budget Financing (IDR T)	2021			
	Budget	Realization as of 31 May	% of Budget	YoY (%)
Debt Financing	1,177.4	330.1	28.0	(8.9)
Government Bond (net)	1,207.3	348.0	28.8	(5.7)
Government Borrowing (net)	(29.9)	(17.9)	59.9	173.8
Investment Financing	(184.5)	(22.6)	12.2	276.0
Government Lending	0.4	1.7	380.2	0.2
Guarantee	(2.7)	-	-	(100.0)
Other Financing	15.8	0.1	0.3	(67.1)
Total	1,006.4	309.3	30.7	(13.6)

Budget Financing Realization:

IDR309.3T or 40.55 % of its target in 2021

- Debt financing supports financing needs including for investment and closing the gap of deficit, in order to accelerate economic recovery.
- Debt financing has reached 96.0% of the first-semester target or 40.55% of the 2021 target.
- The financing target is mainly fulfilled by government bond issuance.
 - BI contribution on government bond purchasing based reached IDR116.26T
- In line with the market improvement, the government bonds issuance through the GSO have not been carried out since May.
- As of May, the budget surplus amounted to IDR90 T decrease from the previous month's number at IDR254.19 T.



INDICATOR	2020	2021	
	Realization	State Budget	Up to May
Economic Growth	-2.07	5.0	-0.74
(%, yoy)			
Inflation	1.68	3.0	0.90 (ytd)
(%, yoy)			1.68 (yoy)
Exchange Rates	14,578	14,600	14,257(eop)*
(Rp/US\$)			14,248(ytd)*
10-years treasury bond yield	n/a	7.2	6.39(eop)**
(%)			6.42 (ytd)**
ICP (Oil Price)	40.5	45	65.49(eop)
(US\$/Barrel)			60.9 (ytd)
Oil Lifting	706	705	642.8 (eop)***
(thousand barrel per day)			667.8 (ytd)
Gas lifting	975	1,007	963.6 (eop)***
(thousand barrel – equal oil per day)			1,031.6 (ytd)

*as of June 16, 2021 **the latest auction was in June 8, 2021 *** as of April 2021

Economic Indicator Progress 2020

- **Economic Growth:** Economic growth in 2020 was at -2.1% (YoY). The outlook for economic growth in 2021 is in the range of 4.5-5.3%.
- **Inflation:** Inflation in May 2021 was recorded at 0.32% (mtm). The inflation rate is still influenced by the increase in core inflation and volatile food due to the Eid al-Fitr period.
- **Exchange Rates:** Rupiah moved steadily in early June 2021 and Rupiah (ytd) depreciated 2.45% compared to the initial exchange rate in 2021.
- **10-years treasury bond yield:** average yield of 10-Year Government Securities is 6.42% (ytd). Last auction on 8 June 2021 posted yield at 6.39%.
- **ICP :** Oil price slightly decreased compared to previous month due to possibility of increased production from OPEC+ countries, and due to reduction of production cuts from Saudi Arabia.
- **Oil and Gas Lifting:** The average lifting of oil and gas until April 2021 were recorded at 667.8 thousand bpd and 1,031.6 thousand bpd, respectively.



KEMENTERIAN KEUANGAN
REPUBLIK INDONESIA



INDONESIA 2022 BUDGET AND DEVELOPMENT STRATEGY: STRUCTURAL AND FISCAL REFORM

STRONG RECOVERY TO CONTINUE IN 2022








Reflected by macroeconomic assumptions for preliminary budget in 2022

MACROECONOMIC ASSUMPTIONS

2020

2021

2022

			Budget	Outlook	
	Economic Growth (%)	-2.07	5.0	4.5 – 5.3	5.2 – 5.8
	Inflation (%)	1.68	3.0	3.0±1	2.0 – 4.0
	3 month SPN Rate (%)	3.19	-	-	-
	10 year T-bonds Rate (%)	-	7.29	6.29 – 7.79	6.32 – 7.27
	Exchange Rate (IDR/USD)	14,577	14,600	14,200 – 14,800	13,900 – 14,800
	Indonesian Crude Price (USD/barrel)	40	45	55 – 65	55 – 70
	Oil Lifting (thousand barrel per day)	707	705	705	686 – 750
	Gas Lifting (thousand barrel of oil equivalent per day)	983	1,007	1,007	1,031 – 1,200

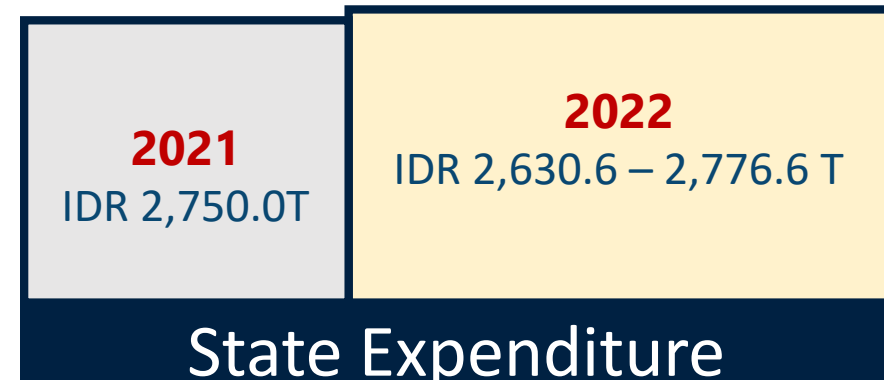
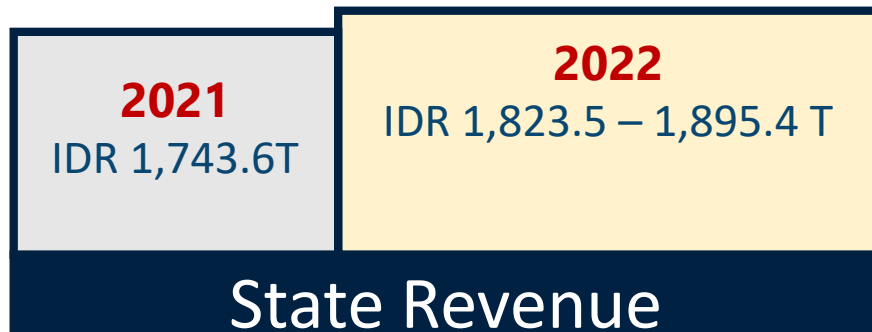
2022 BUDGET IS AIMED TO SUPPORT THE RECOVERY AND CONTINUE THE REFORM

The deficit decreases while the government spending is maintained increased



- **Expansion of the tax base** (e.g. e-commerce, plastic excise).
- **Strengthening the tax system** in line with the structure of the economy.
- **Providing measurable fiscal incentives** for strategic sector that have a strong multiplier.
- **Exploring the potential of non-tax revenue** and implementing supervision.
- **Technology adaptation** and developing digital-based services.

- **Focus on strengthening recovery and structural reform:** human resources (health, social protection, education) and economic transformation (infrastructure and bureaucracy).
- **Spending better:** result based spending; efficiency non-priority spending.
- **Anticipation of uncertainty:** adaptive social safety net program (automatic stabilizer); the effective, targeted and integrated social assistance and subsidies.
- **Strengthening fiscal decentralization and quality control of TKDD** to support recovery and structural reforms.



2022: BUILD THE FOUNDATION FOR CONSOLIDATION AND REFORM

STRUCTURAL REFORM

HUMAN CAPITAL

- Quality and competitive **education**
- Integrated and reliable **health system**
- Lifelong and adaptive **social protection**

ECONOMIC TRANSFORMATION

- Increasing production capacity & sustainable **growth** (infrastructure connectivity, mobility and productivity)
- **Institutional reform** (bureaucratic and regulatory reform)



FISCAL REFORM

- **Tax reform** (broadening the tax base and increasing compliance)
- **Spending reform** (zero based budgeting): focus on priority programs, efficient, synergistic and results-based;
- **Innovative, prudent, and sustainable financing** (Strengthening the SWF, PPP scheme, and efficient fiscal buffer)

2022 BUDGET IS AIMED TO SUPPORT THE RECOVERY AND CONTINUE THE REFORM

The government will strengthen fiscal policy holistically to manage the deficit backs at 3% of GDP in 2023



OBJECTIVE



**Sustainable Economic
Growth Perspective**



**Macro Fiscal Risk
Perspective**



**Policy Consistency
Perspective**

HOLISTIC FISCAL REFORM

REFORM ON REVENUE



TAX REFORM

Administrative and Policy Reform
for Fair and Equitable Tax System



OPTIMIZING OF ASSET MANAGEMENT



INNOVATION TO INCREASE NON-TAX REVENUE

REFORM ON EXPENDITURE

Zero-Based Budgeting

Integrated & Targeted Subsidy and
Effective Social Protection Program

Strengthening Fiscal Decentralization
Function

Improving quality control of
intergovernmental transfers

INNOVATIVE AND SUSTAINABLE FINANCING

Prudent and Sustainable Debt
Management

Effective Investment Financing

Financial Deepening

Financing Innovation through SWF,
SMV and PPP

Strong Cash Management for
Realizable and efficient fiscal buffer

TAX REFORM: PURSUING A HEALTHY AND FAIR TAXATION SYSTEM

To anticipate social, economic and demographic dynamics and implementation of best-practices



CHALLENGE

- Anticipating medium to long term social economic dynamics
- Huge informal sector
- Limited tax base
- Data and information are not optimal
- Aligning with international best practice

REFORM ASPECTS

Administration

- Strengthening institution and human resources
- Administration simplification
- Strengthening monitoring function for extensification and intensifications
- Fair Law Enforcement

Policy

- Widening tax base and finding new source of revenue
- Improving VAT collection and reducing its regressivity
- Strengthening personal income tax policy

HEALTHY

- Effective as policy instrument
- Optimum and sustainable source of revenue
- Adaptive with transforms in economic structure

FAIR

- Tax treatment certainty
- Encouraging taxpayer voluntary compliance
- Balancing tax burden between groups and between sectors

Going Forward

Growing middle income class – consumption increasing rapidly – **consumption tax** potentially to become main source of revenue.

[Noted: currently, VAT is not optimum yet – administration support is not optimum as there are lot of exemption]

Corporate Income Tax – tariff reduction – as an incentives instrument for business (industrialization and value-added creation) including various facilities, tax holiday, and tax allowance.

Personal Income Tax – potentially become source of revenue from income tax, in line with improvement of data and administration, and increasing of income per capita. The PIT also could play as instrument for income redistribution, which is not optimum yet.

FISCAL POLICY AS THE TOOLS TO MAINTAIN ENVIRONMENTAL SUSTAINABILITY



Through the Ratification of the Paris Agreement and the Submission of NDC to the UNFCCC

Indonesia is committed to reducing GHG emissions by:

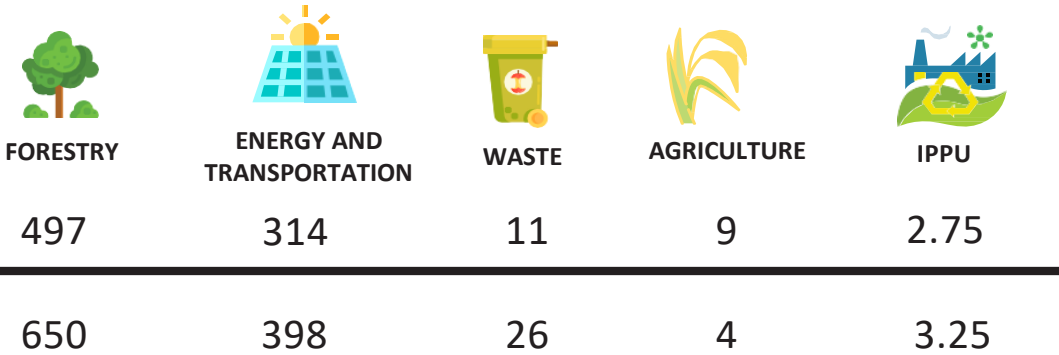
29%

below BaU unconditionally

or
41%

With International support (Conditional)

Emission Reduction Target per Sectors



Several tax incentives to promote green private investment

Instruments	
Tax Holiday	100% tax discount for Up to 20 years depends on the amount of investment for 17 pioneer industries.
Income Tax Facility	Tax Allowance for geothermal businesses, renewable energy generators, and bioenergy industries. The exemption of article 22 income tax on imported goods for geothermal business activities.
VAT Facility	VAT exemption on imported goods for geothermal activities.
Import Tax Facility	Import tax exemption on geothermal activities.
Property Tax	Property tax deduction up to 100% for exploration stage.

Several regulations in the pipeline to promote emission reduction

Instruments
An excise on plastics in a move aimed at reducing their adverse environmental
Incentives on Sales tax on luxury goods (PPnBM) for electric cars to promote green vehicles program
A carbon tax to curb greenhouse gas emissions



KEMENTERIAN KEUANGAN
REPUBLIK INDONESIA



THANK YOU